

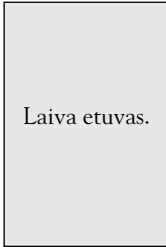
FINNLINES

ANNUAL REPORT 1994

FINNLINES LTD
ANNUAL REPORT 1994

INDEX

2	General facts about the Group
4	Group organization
5	Board of Directors and Auditors
7	Events of the year
8	Finnlines' shares
10	Financial development and ratios
11	Calculation basis for ratios
13	President and Chief Executive Officer's review
15	Financial statements
15	Board of Directors' report
15	Profit trends
16	Investments and financing
17	Fleet
17	Impact of exchange rates
18	Personnel
19	Income statements
20	Balance sheets
22	Statements of source and application of funds
23	Appendix to the accounts
23	Accounting principles
25	Notes and comments
32	Board of Directors' proposal to the Annual General Meeting
33	Report of the Auditors
35	Developments in main divisions
35	Parent Company Finnlines Ltd
37	Liner services
41	Port operations
43	Associated companies
44	Articles of association
45	Addresses
46	Account of the fleet

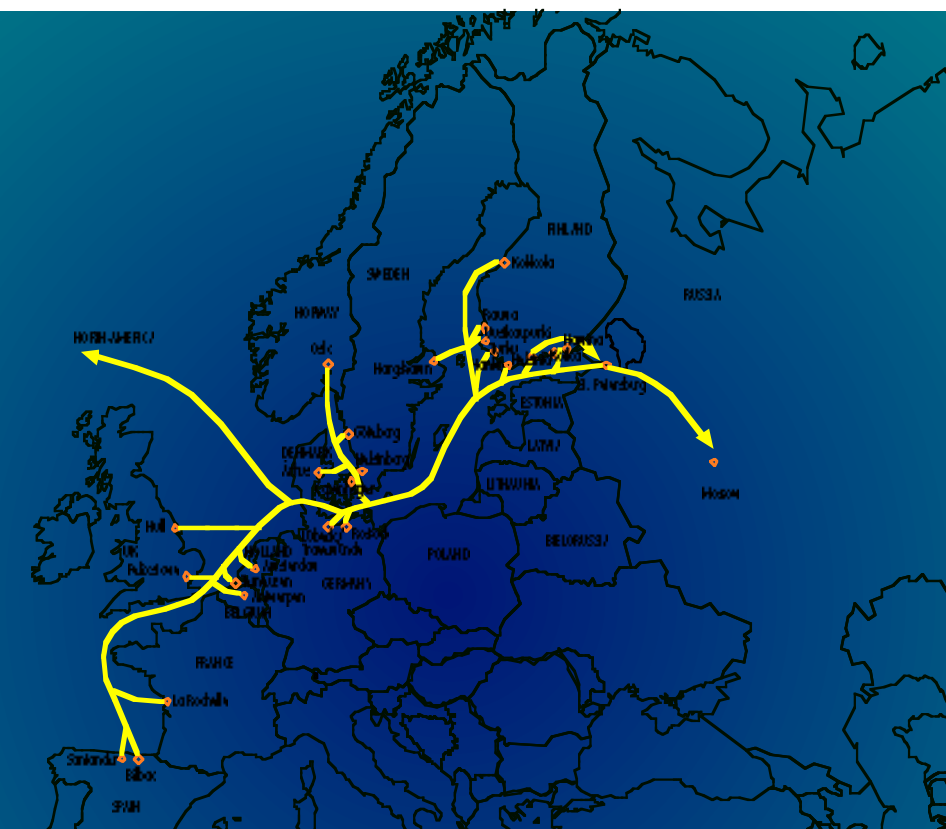


Laiva etuvas.

**ANNUAL GENERAL
MEETING**

The Annual General Meeting will be held at 10 a.m. on Monday February 13, 1995 in the Palace Restaurant, on the 10th floor, Eteläranta 10, 00130 Helsinki.

The Finnlines Ltd annual report is published in Finnish and English. The Company also issues interim reports in the same languages in June (January to April) and October (January to August).



The main divisions of Finnlines are liner services and port operations. Regular liner traffic runs between Finland, Germany and Scandinavia as well as between the countries of the North Sea and the Bay of Biscay. The liner service division also handles small tonnage traffic between Finland and Continental Europe, contract traffic between Finland and North America and railway-ferry traffic between Finland and Germany. In addition, the Company offers a wide range of door-to-door services to its customers. All the transport services mentioned above are marketed through Finn carriers Oy Ab or its subsidiaries. Finnlines has its own ship management company, whose principal function is the management and crewing of the Group's tonnage and the construction supervision of the newbuildings. The company runs port operations in Sompasaari, West and South harbours, Helsinki, Kantvik harbour, Kirkkonummi and Turku harbour. Stevedoring and terminal operations, customs clearance, forwarding, warehouse services and container depot operations come under the heading of port operations. These functions are handled by Finnsteve Oy Ab in Helsinki and on a selective basis by Oy A.E. Erickson Ab in Turku.

Over 80% of Finnish foreign trade is seaborne. This is due to Finland's insular geographical situation in relation to other European Union members, which are among its most important trading partners. Finnlines is a versatile listed transport company, which serves both Finnish foreign trade and transit traffic via Finland, in particular to Russia.

Finnlines 1994	1994	1993	Change%
Sales	2,953	2,656	11
Turnover, FIM million	1,805	1,679	8
Other income from operations	8	18	- 56
Profit from operations before depreciation, FIM million	379	280	35
Profit from operations, FIM million	264	191	38
Profit before appropriations and taxes, FIM, million	245	106	131
Return on equity, % (ROE)	26	26	0
Return on invested capital, % (ROI)	17	15	13
Total assets, FIM million	2,609	2,105	24
Equity ratio, %	34	22	55
Average number of personnel	1,331	1,269	5
Number of shares*	19,169	15,600	23
Market capitalisation at year end, FIM million	1,859	944	97

* see page 10

GENERAL FACTS ABOUT THE GROUP

GROUP STRUCTURE

Finnlines Ltd	<ul style="list-style-type: none"> : Parent Company : Listed company : 13 employees 	<ul style="list-style-type: none"> : Functions: Group : - strategic planning and leading : - treasury : - control : - data management : - legal matters : Shipowning
---------------	--	---

DIVISIONS

Liner Services

Finn carriers Oy Ab with subsidiaries (100%)	<ul style="list-style-type: none"> : Marketing company : 394 employees 	<ul style="list-style-type: none"> : Regular liner service between Finland and Germany, Scandinavia as well as between the countries of the North Sea and the Bay of Biscay : Small tonnage traffic between Finland and Continental Europe : Contract traffic between Finland and North America : Shipowning : Door-to-door services
---	--	---

Oy Intercarriers Ltd (51%)	<ul style="list-style-type: none"> : Service company : 14 employees 	<ul style="list-style-type: none"> : Small tonnage services : - ship chartering and clearance
----------------------------	---	---

Shipping partnerships Railship I, II, III (40%) Railship AG (87 %) FG-Waggon Limited (100 %)	<ul style="list-style-type: none"> : 118 employees : (not consolidated) 	<ul style="list-style-type: none"> : Railway-ferry transport between Finland and Continental Europe : Ownership of railway waggons
---	---	--

FG-Shipping Oy Ab (100 %)	<ul style="list-style-type: none"> : Ship management company : 116 employees 	<ul style="list-style-type: none"> : Group tonnage : - technical development : - building supervision : - management and crewing : Head shipowner of shipping partnerships : Ship management : Purchases and sales of ships : Chartering and operating services
------------------------------	--	---

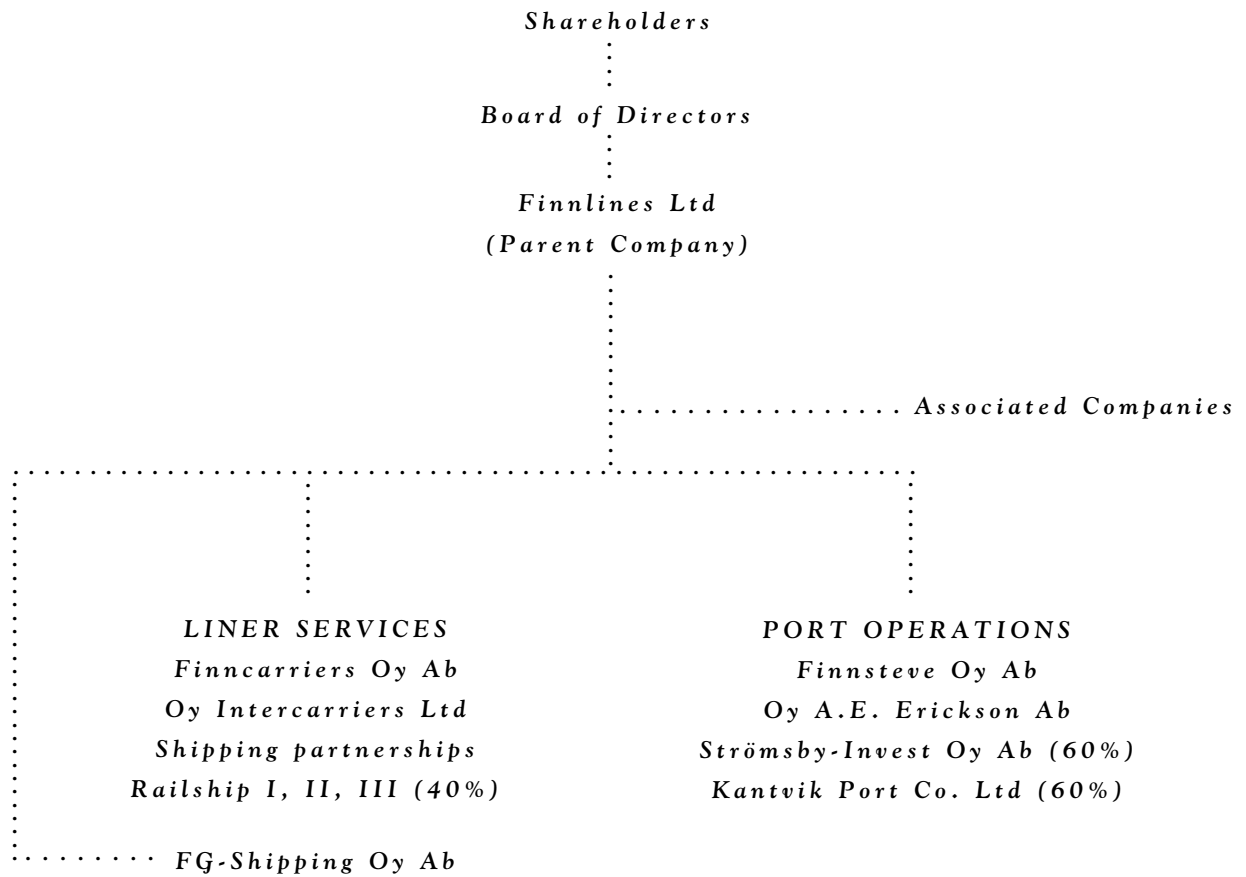
Port operations

Finnsteve Oy Ab (100 %)	<ul style="list-style-type: none"> : Port operations at Sompasaari harbour, West and South harbours, Helsinki and Kantvik harbour, Kirkkonummi : 643 employees 	<ul style="list-style-type: none"> : Stevedoring and terminal operations : Customs clearance : Warehousing services : Container depot
-------------------------	--	---

Oy A.E. Erickson Ab (100 %)	<ul style="list-style-type: none"> : Port operations, Turku harbour : 151 employees 	<ul style="list-style-type: none"> : Stevedoring and terminal operations : Customs clearance : Forwarding
-----------------------------	---	--

¹⁾ The number of personnel is expressed in average number during the year.

GROUP ORGANIZATION JANUARY 1, 1995



President and CEO
Finnlines Ltd
 Antti Lagerroos, 49 (1990-)

BOARD OF MANAGEMENT
AS FROM JANUARY 1, 1995

Antti Lagerroos, 49 (1990-)
 President and CEO, Finnlines Ltd

Asser Ahleskog, 49 (1992-)
 Managing Director, Finncarriers Oy Ab

Hans Martin, 49 (1991-)
 Managing Director, Finnsteve Oy Ab
 and Oy A.E. Erickson Ab

Olavi Pykkänen, 58 (1992-)
 Managing Director, FG-Shipping Oy Ab

Seija Turunen, 41 (1993-)
 Vice President, Group Treasury
 Finnlines Ltd

Kurt Österberg, 56 (1989-)
 Vice President, Group Control
 Finnlines Ltd

Secretary to the Group:
 Lars Trygg, 43
 Vice President, Group Legal Affairs
 Finnlines Ltd

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Chairman

L.J. Jouhki, 50
(1992-1995)
President and CEO
Thomesto Trading Companies Ltd
Member of the Board since 1989

Vice Chairman

Jukka Härmälä, 48
(1994-1997)
President and CEO
Enso-Gutzeit Oy
Member of the Board since 1989

Members

Martin Granholm, 48
(1994-1997)
President
Kymmene Corporation
Member of the Board since 1992

Thor Björn Lundqvist, 53
(1992-1995)
President
Rettig Heating Group B.V. (Holland)
Member of the Board since 1992

Pertti Laine, 53
(1992-1995)
President
Veikko Laine Oy
Member of the Board since 1994

Olli Parola, 60
(1993-1996)
President and CEO
United Paper Mills Ltd
Member of the Board since 1990

Jouko K. Leskinen, 51
(1993-1996)
CEO
Sampo Insurance Company Limited
Member of the Board since 1993

Pentti Seppälä, 60
(1993-1996)
Former Executive Vice President
The Pohjola Group
Member of the Board since 1989

Members of the Board of Directors have a three-year term of office, beginning and ending at the Annual General Meeting in the years indicated in brackets.

Auditors

Anneli Lindroos, 52
Authorized Public Accountant

Deputies

Aunus Salmi, 52
Authorized Public Accountant

Salmi, Virkkunen & Helenius Oy
Authorized Public Accountants

EVENTS OF THE YEAR

Stock exchange bulletins released on:

January 13, 1994

Notice of the Extraordinary Shareholders' Meeting of January 25, 1994.

January 24, 1994

Announcement of the preliminary result for the financial year 1993. Turnover was up 14.8% and profit before extraordinary items was FIM 104 million.

January 26, 1994

The Extraordinary Shareholders' Meeting held on January 25, 1994 decided to grant the Board of Directors authorization for a share issue and to alter the Articles of Association so that notices of an Annual General Meeting be published not later than 7 days before the General Meeting.

February 10, 1994

Bulletin on financial statements for 1993. The Board of Directors proposed a 10% dividend, i.e. FIM 2 per share.

February 14, 1994

The Board of Directors passed a decision on preparation for a share issue targeted abroad. At the same time, the Company supplemented information previously published relating to the share issue.

February 21, 1994

The Annual General Meeting of Finnlines Ltd adopted the accounts, discharged the members of the Board of Directors from liability and decided to pay a dividend of FIM 2 per share. Mr Pertti Laine was chosen to replace Mr Jaakko Ihamuotila as a member of the Board of Directors.

March 3, 1994

The Board of Directors decided to launch a targeted share issue in which a total of 1,300,000 shares were offered at a price of FIM 155 per share. In addition, the organizers of the issue could dispose of a maximum of 260,000 additional shares at the price quoted above.

March 7, 1994

Finnlines collected FIM 228.5 million of new capital by a share issue primarily targeted at international institutional investors. A total of 1,560,000 new shares with a nominal value of FIM 20 were subscribed. The subscription price for the shares was FIM 155, less the sales and management fees involved in selling the

shares, which amounted to FIM 8.525 per share sold. The increase in share capital was FIM 31,200,000 and the issue premium was FIM 197,301,000.

March 15, 1994

Oy Rettig Ab's holdings decreased from 10.01% to 8.34% and those of Enso-Gutzeit Oy from 14.85% to 7.22% in conjunction with the share issue.

March 23, 1994

Finnlines bought MS Finnmerchant from the shipping partnership Finnmerchant and MS Finnsailor from the shipping partnership Finnsailor.

March 29, 1994

Finnlines decided to issue floating rate notes for a maximum of FIM 100 million.

April 11, 1994

The coupon rate for the notes issued by Finnlines is the 6-month Helibor rate +1.20%, and the loan period 5 years.

April 28, 1994

The notes were fully subscribed and will be quoted on the Helsinki Stock Exchange.

May 19, 1994

The Interim Report from January 1 to April 30, 1994. The result before extraordinary items was FIM 86 million. The Company's solvency ratio rose to 32%.

May 19, 1994

Notice of Extraordinary General Meeting of May 31, 1994.

May 31, 1994

The Extraordinary General Meeting decided to grant the Board of Directors authorization for a share issue, passed a resolution on a warrant bond issue for a maximum of FIM 1,100,000 targeted at the Finnlines Management and decided that a share with a nominal value of FIM 20 would be divided into two new shares with a nominal value of FIM 10 each. The Extraordinary General Meeting also decided to reduce the number of deputy auditors from two to one.

August 2, 1994

MS Finn hansa was delivered on August 3, 1994 and entered the Company's service

on the Helsinki-Lübeck route in week 32.

August 8, 1994

Finnlines decided to purchase MS Solano. The purchase will be carried out by means of a possible share issue, at present under preparation, targeted at the seller.

August 9, 1994

Changes in Finnlines Baltic traffic. Finnlines will harmonize the operations of the ro-ro and Railship railway-ferry service in order to improve customer service and the Company's competitiveness.

August 25, 1994

Finnlines purchased MS Solano from the Solano Navigation Company Limited. The transaction was accomplished by the seller subscribing for FIM 448,979 Finnlines shares at a price of FIM 98 per share and delivering the vessel as a non-cash subscription to Finnlines. The new name of the vessel is Finn pine. The total amount of the issue was FIM 43,999,942, FIM 4,489,790 of which was an increase in share capital and FIM 39,510,152 an issue premium.

September 27, 1994

The Interim Report from January 1 to August 31, 1994. Turnover was FIM 1,180 million and operating profit before depreciation was FIM 239 million. The result before extraordinary items was almost three times that of the previous year, amounting to FIM 151 million (FIM 53 million).

December 15, 1994

The settlement of the insurance compensation issue concerning MS Finn polaris. The average adjuster in the decision given on December 14, 1994 enjoined the principal underwriter to compensate the Finnlines Group for the full amount at 16 per cent interest as from July 1, 1994. The decision is also binding on co-insurers. The full insurance value of the vessel is FIM 40 million.

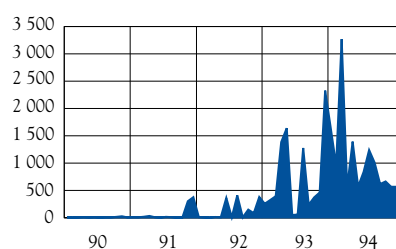
The Company's minimum share capital is FIM 70 million and the maximum FIM 280 million, within which limits share capital can be increased or decreased without amending the Articles of Association. The nominal value of shares is FIM 10. Each share carries one vote at General Meetings.

The Extraordinary General Meeting held on May 31, 1994 decided to alter the Articles of Association so that a share of FIM 20 nominal value would be divided into two new shares of a nominal value of FIM 10 each. These new shares were quoted for the first time on the Helsinki Stock Exchange on June 16, 1994.

A share issue targeted at international institutional investors was launched in February-March 1994. A total of 1,560,000 shares with a nominal value of FIM 20 per share were subscribed at a price of FIM 155 per share. The subscription price of the shares was FIM 155 less the sales and management fees involved in selling the shares, which amounted to FIM 8.525 per share sold. The share capital increase was FIM 31,200,000 and the issue premium was FIM 197,301,000.

The same Extraordinary General Meeting passed a resolution on a warrant bond issue targeted at the Finnlines Management. The total amount issued was FIM 1,100,000 at 100% of the issue price, for a four-year period from June 1, 1994 to June 1, 1998. Interest on the bond is the base interest rate of the Bank of Finland minus 1%. Each bond with a nominal value of FIM 1,000 has one warrant, which entitles the holder to subscribe for 400 Finnlines shares at a price of FIM 89.70

Trend in share trading, per thousand shares



DISTRIBUTION OF SHARE CAPITAL ON DECEMBER 31, 1994

	No. of shareholders	% of shares/votes
Public bodies	2	1.50
Households and individuals	1,488	4.20
Credit institutions	84	25.59
Credit institutions, nominee registered	4	21.65
Foreign shareholders	20	0,02
Non-profit making organizations	71	4.40
Corporations	188	42.45
Corporations, nominee registered	3	0.05
Unchanged to book-entry securities	-	0.14
Total	1,860	100.0

NUMBER OF SHARES PER SHAREHOLDER ON DECEMBER 31, 1994

No. of shares	Shareholders		Shares/Votes	
	no.	%	no.	%
1 - 100	647	34.79	29,127	0.15
101 - 1,000	871	46.83	342,386	1.79
1,001 - 10,000	251	13.49	736,732	3.84
10,001 - 100,000	62	3.33	1,772,021	9.24
100,001 - 1,000,000	22	1.18	5,291,892	27.61
1,000,001 -	7	0.38	10,969,315	57.23
Unchanged to book-entry securities			27,506	0.14
Total	1,860	100.0	19,168,979	100.0

LARGEST SHAREHOLDERS AS PER SHARE REGISTER DECEMBER 31, 1994

	No. of shares	% of total
Thominvest Oy	1,911,380	9.97
Oy Rettig Ab	1,561,114	8.14
Enso-Gutzeit Oy	1,350,960	7.05
The Sampo Group	1,299,368	6.78
The Pohjola Group	1,272,418	6.64
Veikko Laine Oy	1,140,436	5.95
Thomesto Trading Companies Ltd	500,000	2.61
Oy Dreadnought Trade and Finance Int. Ltd	405,320	2.11
Laatusäilyke Oy	389,300	2.03
Thomproperties Oy	365,160	1.90
Foreign and nominee registered	4,162,894	21.72
The ownings of the Group Executives	8,000	0.04
	14,366,350	74.94

Shares can be subscribed for annually as of December 15, 1994 from January 2 to December 15, and not later than June 1, 1998. The new shares entitle the holder to a dividend for the first time from the accounting period in which the subscription occurred. The Company's share capital can be raised by the warrants by a maximum of FIM 4,400,000 and the number of shares by a maximum of 440,000, which accounts for 2.2 % of the total number of shares and votes.

On August 25, 1994, Finnlines acquired the MS Solano through targeting a share issue at the owner of the vessel. The seller subscribed for 448,979 new Finnlines shares of a nominal value of FIM 10 at a price of FIM 98 per share. In total the issue amounted to FIM 43,999,942, FIM 4,489,790 of which represented the increase in share capital and FIM 39,510,152 the issue premium.

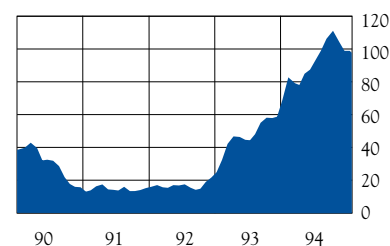
The Company's registered share capital on December 31, 1994 was FIM 191,689,790 divided into 19,168,979 shares of FIM 10 nominal value with equal voting rights. Finnlines shares are quoted on the Helsinki Stock Exchange. The volume of share trading on the Helsinki Stock Exchange reached 61% of the registered share capital at the year end and 73% of the average number of shares during the year (trading prior to the share division

has been doubled). The highest quotation was in September, FIM 115, and the lowest in January, FIM 61. At the year end the stock quotation for the Company was 60% higher than the quotation at the end of the previous year and 25% higher than the subscription price of the share issue targeted at international investors in March. The market value of the Company as measured by the stock exchange quotation was FIM 1,859 million on December 31, 1994.

The Company issued no warrants or bonds, except for the warrant bond targeted at the Management. The Extraordinary General Meeting held on May 31, 1994 authorized the Board of Directors within a year of recording the authorization to pass a resolution on issuing one or more bonds and/or warrant bonds and/or raising the share capital by a rights issue. The authorization allows the share capital to be increased by a maximum of FIM 88,400,000, FIM 4,489,790 of which was used in the targeted issue on August 25, 1994.

Finnlines Ltd knows of no agreements with shareholders regarding share ownership and the exercise of voting rights that would have any significant impact on the value of the shares.

Average quotation per share, FIM



FINANCIAL DEVELOPMENT AND RATIOS

	1994	1993	1992	1991	1990		
Sales, FIMm	2,953.0	2,656.3	2,229.7	1,654.1	1,709.1		
Turnover, FIMm	1,805.3	1,678.6	1,462.2	1,079.5	1,193.2		
Other operating income	8.3	18.6	75.0	59.9	6.1		
Total operating income, FIMm	1,813.6	1,697.2	1,537.2	1,139.4	1,199.3		
Profit from operations before depreciation	379.3	280.8	282.3	194.3	189.1		
% of total operating income	20.9	16.5	18.4	17.1	15.8		
Profit from operations, FIMm	263.8	191.4	165.2	72.5	71.1		
% of total operating income	14.5	11.3	10.7	6.4	5.9		
Profit before extraordinary items, FIMm	245.2	104.5	76.3	-70.5	-8.0		
% of total operating income	13.5	6.1	5.0	-6.2	-0.7		
Profit before taxes and minority interest, FIMm	245.2	106.1	2.9	-37.8	-6.6		
% of total operating income	13.5	6.2	0.2	-3.3	-0.6		
Return on equity % (ROE)	26.0	26.0	26.6	-21.1	-5.6		
Return on invested capital % (ROI)	17.0	15.3	14.6	6.9	6.5		
Total assets, FIMm	2,608.8	2,104.8	1,939.3	1,848.4	1,818.9		
Gross investments per funds statement, FIMm	478.8	260.1	277.1	226.6	307.9		
% of turnover	26.4	15.3	18.0	19.9	25.7		
Equity ratio, %	34.2	21.7	15.2	15.9	18.7		
Equity ratio, adjusted by the market value of the vessels, %	39.4	31.2					
Degree of internal financing, %	60.3	71.9	69.8	35.9	27.4		
Personnel, December 31	1,402	1,210	1,273	1,350	1,500		
PER SHARE FIGURES							
Earnings per share (EPS), FIM*	9.45	6.42	3.84	-3.44	-1.31		
Earnings per share (EPS) with the dillution of the warrant bond, FIM*	9.38						
Equity per share, FIM*	46.12	29.15	20.78	20.73	23.46		
Dividend per share, FIM*	2.00	1.00	-	-	0.46		
Dividend to profit, %	22.2	16.2	-	-	-		
Effective yield, %	2.1	1.7	-	-	3.1		
Price/earnings ratio (P/E), %	10.3	9.4	5.5	-	-		
Share price on the stock exchange at year end, FIM*	97.00	60.50	23.00	16.50	16.00		
Market capitalization at year end, FIMm	1,859.4	943.8	299.0	214.5	208.0		
Share issue adjusted number of shares, average*	18,305,968	15,022,222	14,155,556	14,155,556	14,155,556		
Share issue adjusted number of shares, Dec. 31*	19,168,979	15,600,000	14,155,556	14,155,556	14,155,556		
Share price trend on exchange list*							
	January-February	March-April	May-June	July-August	September-October	November-December	January-December
Maximum price, FIM	88	86	97	108	115	110	115
Minimum price, FIM	61	69	78	87.50	102	90	61
Average price, FIM	73.80	78.61	86.58	96.88	108.68	101.70	88.26
Number of shares traded	2,152,474	3,824,524	2,160,866	2,132,181	1,749,811	1,299,186	13,319,042
Total trading, FIM	158,861,804	300,649,806	187,097,128	206,568,994	190,164,601	132,132,189	1,175,474,522

* the share prices before June 16, 1994 (split) have been divided by two and the number of shares before June 16, 1994 multiplied by two

CALCULATION BASIS FOR RATIOS

The figures given on page 10 have been calculated as follows on the basis of information in the consolidated financial statements:

$$\text{ROE (Return on equity, \%)} = \frac{\text{Profit before extraordinary items – taxes for the financial year}}{\text{Shareholders' equity + minority interests (average)}} \times 100$$

$$\text{ROI (Return on invested capital, \%)} = \frac{\text{Profit before extraordinary items + interest expenses + other financial items under liabilities}}{\text{Balance sheet total – interest-free loans (average)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity + minority shares}}{\text{Total assets – advances received}} \times 100$$

$$\text{Degree of internal financing, \%} = \frac{\text{Funds generated from operations according to statement of source and application of funds}}{\text{Investments according to statement of source and application of funds}} \times 100$$

$$\text{Earnings per share (EPS)} = \frac{\text{Result before extraordinary items +/- minority share of Group profit +/- change in deferred tax liability – taxes for the financial year, from which the effect of extraordinary income and charges has been eliminated}}{\text{Average number of shares adjusted by share issue}}$$

$$\text{Equity per share} = \frac{\text{Shareholders' equity}}{\text{Number of shares as per Dec. 31 adjusted by share issue}}$$

$$\text{Dividend per share} = \frac{\text{Dividend for the year distributed}}{\text{Number of shares on date of closing adjusted by share issue}} \times 100$$

$$\text{Dividend to profit} = \frac{\text{Dividend for the year distributed}}{\text{Profit before extraordinary items +/- minority share of Group profits +/- change in deferred tax liability – taxes for the year, with the effect of extraordinary income and charges eliminated}}$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share}}{\text{Share price quoted on stock exchange as per Dec. 31 adjusted by share issue}} \times 100$$

$$\text{P/E Price/earnings ratio} = \frac{\text{Share price quoted on stock exchange on Dec. 31}}{\text{Earnings per share}}$$

The most important change in Finland's economic environment has been its membership of the European Union, which came into force from January 1, 1995. Finnish exports have risen since the latter half of 1991, a development that has been based initially on the excellent price competitiveness of the country's industry and then later on the consolidation of growth in Finland's traditional export market in EU member countries. During recent months, the growth in Finland's national economy has been fairly substantial, reflecting the sudden rise in consumption and investments after a period of decline. The prospects for Finnish exports are likely to remain bright. EU membership has made Finland's eastern border the only border between the EU and Russia. The opportunity to move goods from EU member countries to the expanding Russian market with a single customs declaration will increase the volume of cargo traffic to the Baltic Sea and thus to Finnish ports.

1994 has been an eventful year for Finnlines in operative terms as well as financially. The Company's emphasis in marketing to Europe has begun to bear fruit. The strong growth in transit traffic to Russia during the past year and the growing demand on the domestic market have increased the volume of return freight. The improved balance of traffic is reflected also in the operative results of the Company.

In the first half of the year, the Company accumulated new capital to the value of almost FIM 230 million by means of a share issue, which was targeted primarily at international institutional investors. At the same time, the ownership basis of the Company broadened so that more than one fifth of the Company is owned by non-Finnish investors. The financial position and liquidity of the Company have improved substantially in spite of the continuing investment program. As a result of the share issue and good profit trend, the Company's capital adequacy has improved by 12 percentage points over the previous year.

In addition to increasing its relative share of the self-owned fleet the Company also aims at attaining the greatest possible flexibility with regard to capacity utilization. One of the most important events of the year was the introduction of the MS Finnhansa into service at the beginning of August. The vessel was the first of a series of four vessels ordered from Poland. Within a period of a few months, the vessel has proved to have even greater efficiency and capacity than had been estimated. When the second vessel in the series, Finnpartner, and the remaining two vessels come into service during 1995, this will improve the Company's profitability through the resulting additional capacity, and at the same time will conclude the Company's present investment program. In the light of present data, the vessels will be delivered at the right stage in the economic cycle. The average age of the Company's fleet at present is approximately 8 years and will fall with the delivery of the new ships. The average age of the world's merchant fleet is approximately 20 years, which has resulted in a rise in prices of younger tonnage. Due to the favourable market situation, it is possible to keep time-chartered tonnage in service through flexible contractual arrangements.

The operating environment and the Company's improved financial situation provide opportunities for further improvement in 1995.

I would like to thank our customers, associates and shareholders for the confidence they have shown in us and for their cooperation, and our personnel for their work and readiness to invest effort in the Group's future.

Helsinki, January 5, 1995

Antti Lagerroos
President and Chief Executive Officer



TJ kuva

BOARD OF DIRECTORS' REPORT

During the year under review Finland's total exports carried by sea increased by 11% and imports increased by 16% (source: National Board of Navigation). The main factors contributing to the growth in imports were the recovery of the domestic market and the considerable increase in transit traffic to Russia. The Finnish mark was appreciated some 8% against Deutschmark, which is the Group's main invoicing currency.

The export volume carried by Finnlines went up by 7% and import cargoes by 18% on the previous year.

The Finnlines Group's turnover was FIM 1,805 million (FIM 1,679 million).

Profits from the sale of ships is reported in the income statement as other operating income. The Parent Company's purchase of MS Finnmerchant and MS Finnsailor from the shipping partnerships (Group holding 60%) of the same name in March, resulted in a profit of FIM 82 million for the separate companies of the Group which was eliminated in the Group's income statement as internal gain. The Parent Company's share of the profit on the sale of those ships, FIM 41 million, is reported in the Parent Company's income

statement under other operating income. Group's other operating income, including the Group's share (40%) of the profit from the sale of the railway-ferry MS Railship I, was FIM 8 million (FIM 18 million). The ship was sold to Finland and was registered under Finnish flag in order to reduce crewing costs. Total operating income amounted to FIM 1,813 million (FIM 1,697 million). Profit from operations before depreciations was FIM 379 million (FIM 280 million), i.e. 21% (17%) of total operating income.

Total scheduled depreciation was FIM 115 million (FIM 89 million). On ships and ship shares the figure was FIM 69 million (FIM 50 million).

Consolidated profit from operations was FIM 264 million (FIM 191 million).

Financial expenses (net) excluding the Group's share of the associated companies' results totalled FIM 45 million (FIM 109 million).

Dividends, FIM 9 million (FIM 3 million), were the dividends paid by Steveco Oy (the Company's ownership 19.1%) for 1993.

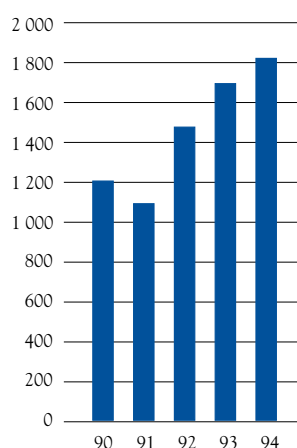
Unrealized exchange rate losses on currency-denominated loans generated in 1992 and 1993 and unrealized exchange

Finnlines-group profit trends

	Jan 1,94-Dec 31,94		Jan 1,93-Dec 31,93	
	<i>FIMm</i>	<i>%</i>	<i>FIMm</i>	<i>%</i>
Sales	2,953	163	2,656	157
Adjustments to sales	- 1,148	- 63	- 977	-58
Turnover	1,805	100	1,679	99
Other operating income	8	-	18	1
Total operating income	1,813	100	1,697	100
Expenses	- 1,434	- 79	- 1,417	- 83
Profit from operations before depreciation	379	21	280	17
Scheduled depreciations	- 115	- 6	- 89	- 6
Profit from operations	264	15	191	11
Financial income/expenses (net)	- 45	- 2	- 109	- 6
Share of associated companies' profits	26	1	22	1
Result before extraordinary items	245	14	104	6
Extraordinary income/charges	-	-	2	0
Result before taxes and minority interest	245	14	106	6

Turnover by division was as follows:

	1994		1993	
	FIMm	%	FIMm	%
Liner services	1,464	81.1	1,366	81.4
Port operations	322	17.8	267	15.9
Railway-ferry services	80	4.4	98	5.8
Eliminations (inter-company)	- 61	- 3.3	- 52	- 3.1
Group total	1,805	100.0	1,679	100.0

Turnover 1990-1994,
FIMm

rate gains generated in 1994 have been divided over the remaining loan period. The exchange rate losses in the income statement (net), FIM 6 million (FIM 37 million), included unrealized exchange rate losses of FIM 9 million (FIM 23 million) and realized exchange rate gains of FIM 3 million (FIM 14 million loss). The unrealized exchange rate losses, FIM 8.6 million (FIM 50 million), are divided over the remaining loan period and have been entered in the balance sheet under valuation items.

The Group's share of the associated companies' profits was FIM 26 million (FIM 22 million). Huolintakeskus Oy covered FIM 23 million of this figure.

The result before extraordinary items stood at FIM 245 million (FIM 104 million).

The Group's extraordinary income and expenses consist of profits and losses from the sale of shares and other non-recurrent items. The extraordinary income of previous year was profit from sale of shares and extraordinary expenses were the costs incurred from the dismantling of some warehouse buildings owned by the Group in the Helsinki West Harbour.

The consolidated result before taxes and minority interest was FIM 245 million (FIM 106 million).

After taxes, change in deferred tax liability and minority interest, the consolidated statements show a profit of FIM 173 million (FIM 98 million). The Parent

Company's profit amounted to FIM 95 million (FIM 60 million).

The item "Ships under construction" in the balance sheet and the acquisition costs incurred by the combi-oro vessel Finn-hansa delivered during the year under review include capitalized interest on construction-time loans, totalling FIM 89 million (FIM 61 million), and unrealized exchange rate differences on currency-denominated loans. The acquisition costs for MS Finn-hansa also included crew salary expenses, totalling FIM 0.5 million, incurred during the time between the trial run and delivery of the vessel.

In conjunction with the restructuring carried out in the RailShip Group, Finnlines' holding in the former associated company RailShip AG increased from 40% to 87%. The new subsidiary owns part of the RailShip waggons.

Investments and financing

Total Group investments came to FIM 479 million (FIM 260 million). Most of the investments were in ships and in ships under construction, FIM 423 million (FIM 216 million). Ship investments include the delivery instalments on MS Finn-hansa, the purchase price of MS Finn-pine and a 40% share in the acquisition cost of MS Finnsailor and MS Finn-merchant for the Group. In addition, ship investments comprise the cash instalments on two combi-oro vessels ordered from the Gdansk shipyard, Poland, capitalized interest on construction-time loans and unrealized exchange

rate differences on currency-denominated construction-time loans. FIM 260 million of the cash instalments for the investment program were unpaid at the year end. The investment program extends to the end of 1995, when all the vessels ordered should be in service. The financing of the investment program is totally agreed. The investment schedule for the investment and the withdrawals of the loans run according to the building and completion of the vessels.

At the year end the Group had interest-bearing loans amounting to FIM 1.2 billion (FIM 1.2 billion). In March, Finnlines launched a share issue, collecting FIM 228.5 million of new capital. The increase in share capital was FIM 31.2 million and issue premium FIM 197.3 million. In August the company purchased a ship through a targeted share issue in which the increase in share capital was FIM 4.5 million and issue premium FIM 39.5 million.

In April, the Company issued 5-year floating rate notes for FIM 100 million. Long-term loans were repaid to a total of FIM 484 million (FIM 208 million). In June, the Company issued a FIM 1.1 million warrant bond loan to the Management of the Company.

At the year end consolidated cash reserves totalled FIM 430 million (FIM 279 million). These were cash in hand and at banks amounting to FIM 234 million, which included notariat deposits, and financial assets and securities of FIM 196 million.

The Group equity ratio calculated with book-value of the vessels was 34% and adjusted by market value of vessels 39%.

Fleet

At the end of the year under review, the Group owned 14 ships fully or in part. The market price of the fleet is FIM 224 million higher than the balance sheet value. The average of two independent broker's valuations has been taken as a market value. An account of the fleet is given on page 46.

Hull and hull interest insurance on ships fully owned by the Group came to FIM 1,240 million (FIM 430 million), and that on ship shares reported in the balance sheet came to FIM 277 million (FIM 468 million), i.e. a total of FIM 1,517 million (FIM 898 million)

The impact of the exchange rates

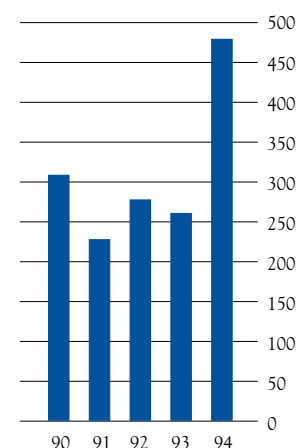
During last year, the Finnish mark has strengthened by some 8% against the Deutschmark and by approximately 19% in comparison to the Dollar. As the Group's main invoicing currency is the Deutschmark, the strengthening of the Finnish mark has contributed to a decrease in turnover as expressed in Finnish marks. Approximately 30% of the Group's total invoicing includes a so-called currency clause, which, to some extent has protected the Group from the impact of exchange rate fluctuations. As the majority of the Group's loans are in Deutschmarks, the strengthening of the Finnish mark has contributed to the reduction in net financing costs.

The depreciation of the Dollar has contributed to a reduction in costs, as fuel and ship rental expenses are mostly tied to the Dollar. To some extent, the Group has been able to hedge against fluctuations in the price of fuel by means of so-called bunker clauses, which are included in long-term freight contracts made with the Group's customers.

During the year, the Group has hedged against exchange rate and interest risks by implementing protection instruments such as financial futures, currency options and interest rate and currency swaps.

Although the strengthening of the Finnish mark has had a slightly negative effect on the Group's result, it has also resulted in an increase in the demand for imported goods, an effect which has contributed to the improvement in the Group's balance of traffic.

Gross investments
1990-1994,
FIMm



FINANCIAL STATEMENTS

continued

Personnel

The Group employed the following average personnel during the year:

	1994	1993
Personnel ashore		
Finnlines Ltd	13	14
Finncarriers Group	197	200
Bore Line Group	6	5
FG-Shipping Group	65	61
Finnsteve Oy Ab	643	591
Oy A.E. Erickson Ab	151	161
	1,075	1,032
Personnel at sea		
Finncarriers Group	205	176
FG-Shipping Group	51	61
	256	237
Total	1,331	1,269

The Group employed 999 people ashore at the beginning of the year and 1,088 at the year end. The corresponding figures for personnel at sea were 247 and 314. The increase in shore personnel involves dock and stevedoring operations and the rise in the number at sea relates to the increase of the fleet owned.

Wages, salaries and fees

	Group		Parent Company	
	1994	1993	1994	1993
President and CEO and Board members	2.9	2.5	1.3	1.2
Others	214.0	195.7	3.2	3.1
	216.9	198.2	4.5	4.3

No profit sharing fees were paid.

INCOME STATEMENTS

FIM million

	Group		Parent Company	
	1994	1993	1994	1993
SALES	2,953.0	2,656.3	66.5	18.1
SALES ADJUSTMENT ITEMS	- 1,147.7	- 977.7	-	-
TURNOVER	1,805.3	1,678.6	66.5	18.1
OTHER OPERATING INCOME (1)	8.3	18.6	40.6	-
Expenses				
Materials and supplies				
Purchases during financial year	120.2	105.9	1.0	-
Increase/decrease in inventories	- 3.0	0.0	- 0.4	-
Staff costs (2)	300.1	267.9	6.4	5.9
Rents	30.9	37.0	0.8	0.8
Other costs	986.1	1,005.6	11.6	4.4
	1,434.3	1,416.4	19.4	11.1
PROFIT FROM OPERATIONS BEFORE DEPRECIATION	379.3	280.8	87.7	7.0
Depreciation				
Goodwill	3.9	3.9	-	-
Other long-term expenditure	6.3	5.8	1.0	1.0
Buildings and constructions	6.2	5.6	-	-
Ships	52.6	25.9	27.0	3.6
Ship shares	16.8	24.5	1.2	5.9
Machinery and equipment	29.7	23.7	0.7	0.3
	115.5	89.4	29.9	10.7
PROFIT FROM OPERATIONS	263.8	191.4	57.8	- 3.7
Financial income and expenses (3)				
Dividends received	8.8	2.8	28.1	7.9
Interest income on long-term investments	0.5	2.6	1.2	2.3
Other interest income	27.6	23.3	21.4	20.1
Other financial income (4)	2.0	3.2	1.7	3.0
Interest expenses	- 65.9	- 99.8	- 54.4	- 64.5
Currency differences (4)	- 6.1	- 36.5	4.6	- 29.4
Other financial expenses (4)	- 11.7	- 4.1	- 9.6	- 1.7
Associated companies (5)	26.2	21.6	-	-
	- 18.6	- 86.9	- 7.0	- 62.3
RESULT BEFORE EXTRAORDINARY ITEMS	245.2	104.5	50.8	- 66.0
Extraordinary income and expenses (6)				
Extraordinary income	-	6.2	-	4.1
Extraordinary expenses	-	- 4.6	-	-
Group contribution received	-	-	232.5	124.3
Group contribution given	-	-	-	- 3.2
	-	1.6	232.5	125.2
RESULT BEFORE TAXES AND MINORITY INTEREST	245.2	106.1	283.3	59.2
Depreciation difference	-	-	- 168.7	1.2
Change in voluntary provisions	-	-	-	-
Income taxes (7)	- 21.5	- 2.2	- 19.4	0.0
Change in deferred tax liability (8)	- 48.3	- 4.5	-	-
Minority interest	- 2.4	- 1.8	-	-
PROFIT FOR THE YEAR	173.0	97.6	95.2	60.4

BALANCE SHEETS

FIM Million

	Group		Parent Company	
ASSETS	1994	1993	1994	1993
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS (9)				
Intangible assets				
Goodwill	17.3	21.1	–	–
Other capitalized expenditure	18.8	19.9	3.8	4.7
	36.1	41.0	3.8	4.7
Tangible assets				
Land	49.2	49.2	–	–
Buildings and constructions	89.1	90.5	–	–
Ships	860.2	265.0	723.9	23.3
Ship shares	87.8	194.3	–	44.3
Ships under construction	434.7	569.9	434.7	569.9
Machinery and equipment	179.4	150.7	73.8	1.1
	1,700.4	1,319.6	1,232.4	638.6
Financial assets (10)				
Shares and holdings (11)				
Group companies	–	–	379.7	342.2
Associated companies	54.6	52.4	42.5	57.5
Other shares	36.7	36.8	25.2	25.1
Loan receivables	8.9	4.2	16.6	14.0
	100.2	93.4	464.0	438.8
VALUATION ITEMS (12)	8.6	50.0	8.6	45.6
CURRENT ASSETS				
Stocks				
Material and supplies	9.2	6.2	0.4	–
Receivables (13)				
Sales receivables	251.0	277.5	1.1	–
Loan receivables	2.3	0.3	–	–
Prepaid expenses and accrued income	39.1	27.0	8.8	6.8
Other receivables	32.2	10.5	105.9	79.7
	324.6	315.3	115.8	86.5
Investments				
Marketable securities	195.7	154.7	194.5	154.7
Cash in hand and at banks	234.0	124.6	189.5	71.1
	2,608.8	2,104.8	2,209.0	1,440.0
Pledges given(18)	1,193.0	776.9	767.7	203.1

BALANCE SHEETS

FIM Million

	Group		Parent Company	
LIABILITIES	1994	1993	1994	1993
SHAREHOLDERS' EQUITY (14)				
Restricted equity				
Share capital	191.7	156.0	191.7	156.0
Other restricted equity	277.3	39.8	275.8	39.0
Non-restricted equity				
Equity part of provisions	181.4	168.4	–	–
Associated companies	11.1	– 6.1	–	–
Translation difference	0.1	0.7	–	–
Other non-restricted equity	49.4	– 1.7	119.1	74.3
Result for the year	173.0	97.6	95.2	60.4
	884.0	454.7	681.8	329.7
MINORITY INTEREST	9.0	3.0	–	–
PROVISIONS (15)				
Accelerated depreciation	–	–	217.5	48.8
Voluntary provisions	–	–	1.0	1.0
CREDITORS				
Non-current (16)				
Notes and bonds (17)	200.0	100.0	200.0	100.0
Loans from credit institutions	873.1	837.8	673.3	382.3
Pension loans	59.9	75.5	31.7	18.8
Other non-current liabilities (17)	6.1	0.4	136.3	177.2
Deferred tax liability on provisions (15)	108.8	60.7	–	–
	1,247.9	1,074.4	1,041.3	678.3
Current				
Loans from credit institutions	95.1	234.4	66.9	183.0
Pension loans	5.0	4.1	2.4	1.2
Purchases payable	142.5	149.3	1.9	1.1
Accrued liabilities and deferred income	179.1	151.6	67.7	74.2
Other current liabilities	46.2	33.3	128.5	122.7
	467.9	572.7	267.4	382.2
	2,608.8	2,104.8	2,209.0	1,440.0
Contingent liabilities (19)	5.5	9.8	4.1	63.5
Pension liabilities (20)	1.9	6.3	–	–

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

FIM Million

	Group		Parent Company	
	1994	1993	1994	1993
SOURCE OF FUNDS				
Funds generated from operations				
Profit from operations before depreciation	379.3	280.8	87.7	7.0
Financial income and expenses	- 18.7	- 86.9	- 7.0	- 62.3
Extraordinary income and expenses	-	1.6	232.5	125.2
Taxes	- 69.8	- 6.8	- 19.4	0.0
Minority interest in profits	- 2.4	- 1.8	-	-
Total funds generated from operations	288.4	186.9	293.8	69.9
Sale of fixed assets	0.8	100.0	43.3	86.2
Change in minority interest	6.0	1.9	-	-
Translation difference	0.1	0.7	-	-
Other change in shareholders' equity	- 0.5	- 2.7	-	-
Share issue	272.5	65.0	272.5	65.0
Increase in non-current liabilities	560.0	278.4	814.1	270.4
TOTAL SOURCE OF FUNDS	1,127.3	630.2	1,423.7	491.5
APPLICATION OF FUNDS				
Investments				
Buildings and constructions	4.8	8.8	-	-
Ships	153.1	3.1	323.7	0.2
Ship shares	1.5	7.9	0.1	0.1
Ships under construction	268.7	204.8	268.7	204.8
Shares and holdings	1.6	15.2	22.6	26.1
Other fixed assets	49.1	20.3	73.6	0.6
Goodwill	-	0.0	-	-
Total investments	478.8	260.1	688.7	231.8
Associated companies; change in shareholders' equity	15.4	16.7	-	-
Dividend paid	15.6	-	15.6	-
Decrease in non-current liabilities	483.6	207.8	414.2	335.2
Change in net working capital	133.9	145.6	305.2	- 75.5
TOTAL APPLICATION OF FUNDS	1,127.3	630.2	1,423.7	491.5
CHANGE IN NET WORKING CAPITAL				
Cash in hand and at banks, increase/decrease	109.4	9.8	118.3	9.7
Other financial assets, increase	55.1	82.1	71.7	8.5
Stocks, increase	3.0	0.0	0.4	-
Current liabilities, increase/decrease	- 33.6	53.7	114.8	- 93.7
NET WORKING CAPITAL	133.9	145.6	305.2	- 75.5

ACCOUNTING PRINCIPLES**Consolidated financial statement**

The consolidated financial statements include the Parent Company and the subsidiaries (domestic and foreign companies in which the Parent Company, directly or indirectly, owns more than 50% of the voting rights) and all foreign and domestic associated companies (companies in which the Parent Company, directly or indirectly, owns 20-50% of the share capital and voting rights).

The accounting period of the subsidiaries and the associated companies is the same as that of the Parent Company.

Detailed information on the companies belonging to the Group is given below in Note 11.

The consolidated financial statements are drawn up according to the acquisition principle. Payments for shares in subsidiaries have been eliminated against the portion of each company's balance sheet equity at the time of acquisition but not against the portion of subsidiaries' reserves at the time of acquisition. In eliminating purchase consideration, the surplus has been allocated to the subsidiary's fixed assets where the current value of such assets exceeds the book value at the time of acquisition. The balance of the purchase consideration for the shares is reported in the consolidated balance sheet as Group goodwill. On December 31, 1994 items allocated to Land amounted to FIM 6.6 million, to Buildings and constructions to FIM 4.3 million and to Ship shares to FIM 9.1 million. The items allocated to Buildings and constructions and to Ship shares will be depreciated according to the schedule for the fixed asset item in question.

Internal Group transactions, inter-company sales profits and distribution of profits, and inter-company receivables and payables have been eliminated.

The share accounted for by minority interests in the subsidiaries' results, shareholders' equity and the portion of reserves allocated to shareholders' equity is presented as a separate item in the income statements and balance sheet.

Associated companies are consolidated by the equity method. The Group's share of the subsidiaries' results for the year is presented as a separate item under financial items. The influence of consolidating the associated companies on the Group shareholders' equity is presented as a separate item in the balance sheet.

The balance sheets of foreign subsidiaries and associated companies have been translated into Finnish marks at the average exchange rates on the date of closing the accounts. The income statements have been translated at the average exchange rates for the financial year. The resultant translation differences are reported as a separate item in Group non-restricted equity.

In the consolidated financial statements the Group's shares in both domestic and foreign shipping partnerships' income statement and balance sheet items are reported according to the gross accounting principle. In the financial statements of the Parent Company, however, shares in the domestic shipping partnerships' income statement and balance sheet items are reported according to the net principle.

Valuation of assets and liabilities tied to foreign currencies and derivatives

Financial receivables, cash in hand and at banks and liabilities tied to foreign currencies have been translated into Finnish marks according to the Bank of Finland's average exchange rate on the last day of the year.

Exchange differences on sales receivables and purchases payable realized during the financial year and open on the date of closing are reported in the income statement before Profit from operations before depreciation. Exchange differences on financing and loans in foreign currencies are reported as a separate item in Financial income and expenses. Unrealized exchange rate losses and gains on loans tied to foreign currencies, incurred through the floating of the Finnish mark, have been spread over the remaining loan period, including the financial period in question. The part of the exchange rate losses not entered as expenses are reported under Valuation items.

The realized changes in the value of the derivatives taken to hedge the cash instalments of the newbuildings have been activated and are reported under Ships under construction.

The realized changes in the value of other derivatives have been booked to the profit and loss account as follow:

- interest rate derivatives under Interest income/expense
- currency exchange rate derivatives under Financial income and expenses

Fixed assets

Fixed assets are capitalized at direct acquisition cost. Scheduled depreciations

are calculated on a straight-line basis according to estimated economic life.

Cash instalments paid on vessels on order but not yet delivered are included in the item Ships under construction. The instalments on the three ships ordered from Poland were financed mainly through the loans taken out by the Company. The year's interest and exchange rate differences on these loans have been capitalized and are included in the same item.

Valuation items

Valuation items are unrealized exchange rate losses on foreign currency loans which have been capitalized. Increases and decreases in valuation items are given in Note 12.

Stocks

Ships' stocks of fuel and lubricating oil, materials and provisions and tax free sales store are entered under Stocks. Stocks are valued at direct acquisition cost according to the FIFO principle.

Securities included under financial assets

Marketable securities consist of current assets invested in money market securities (certificates of deposit, commercial papers and government bonds).

Tax liability corresponding to voluntary provisions and cumulative depreciation difference

Voluntary provisions, i.e. transition provisions (formerly operating provisions and other provisions) and cumulative depreciation difference are distributed on Result for the year and Shareholders' equity and on the other hand to Change in deferred tax liability and deferred tax liability. Deferred tax liability is calculated on a 25% tax base. Change in deferred tax liability is reported as a separate item in the income statement. (Note 8)

The deferred tax liability on the date of closing is reported in the balance sheet under Non-current liabilities. The portion of provisions and cumulative depreciation difference entered under Shareholders' equity and Changes in shareholders' equity are clarified in Note 14. Provisions and cumulative depreciation difference before the division into Shareholders' equity and Deferred tax liability is stated in note 15.

Pensions

Pension cover for the Group's personnel both at sea and ashore has been provided through pension insurances. All liabilities of the Group's pension funds have been transferred to pension insurance companies. The Group's pension commitments, amounting to FIM 1.9 million, are reported under Contingent liabilities.

Other operating income

Profit from sales of ships is reported under Other operating income after turnover. The same item includes sales profits from other fixed assets which are not in the nature of extraordinary gains. Sales profit is calculated as the difference between sale price and scheduled residual value. (Note 1)

Depreciations

Scheduled depreciations are calculated according to uniform principles within the Group as straight-line depreciations on the original acquisition cost based on the economic life of fixed assets. The scheduled depreciation periods are as follows:

Group goodwill	10 years
Other long-term expenditure	5-10 years
Buildings and constructions	5-40 years
Combi-oro vessels	25 years
Cargo vessels	20 years
Ship shares	20 years
Machinery and equipment	3-5 years
Machinery and equipment used in stevedoring	5-10 years

The acquisition costs of the new combi-oro vessels (combined passenger and cargo vessels) are depreciated over a 25-year period. The annual scheduled depreciation on the acquisition cost is 4.5% for the first 20 years and 2% annually after that.

Acquisition costs on new cargo vessels are depreciated as a rule over a 20 year period. The annual scheduled depreciation on the acquisition cost is 6% for the first 15 years and 2% annually after that.

Second-hand ships are depreciated on the straight-line principle so that the ship is fully depreciated by the end of its economic life as estimated at the time of purchase.

Straight-line depreciations on other long-term expenditure have been calculated on the basis of economic life, as follows:

- computer systems	5 years
- merger losses	10 years
- expenditure on improvements to rented premises	10 years
- planning expenses for Kantvik Port Co. Ltd	10 years.

Extraordinary income and expenses

Extraordinary sales profits and losses arising from the sale of shares and non-recurring items are reported under Extraordinary income and expenses. A more detailed explanation of Extraordinary income and expenses is given in Note 6.

NOTES AND COMMENTS

(Finnish marks in millions, unless otherwise stated)

1 Other operating income

	Group		Parent Company	
	1994	1993	1994	1993
Result from sale of ships	5.1	16.4	40.6	–
Result from sale of other fixed assets	1.7	0.4	–	–
Rent income	1.5	1.8	–	–
	8.3	18.6	40.6	–

The Group's result from the sale of ships consisted of the sale of MS Railship I in 1994 and the sale of MS Lotila in 1993. The Parent Company's result from the sale of ships is the profit of the sale of MS Finnmerchant and MS Finnsailor, which in the consolidated income statement are eliminated as internal profit.

2 Staff costs

	Group		Parent Company	
	1994	1993	1994	1993
Wages and salaries	219.4	195.3	4.5	4.4
Pension costs	39.0	37.6	1.1	0.9
Other employee costs	41.7	35.0	0.8	0.6
Total of staff costs	300.1	267.9	6.4	5.9
Taxable value of fringe benefits	5.2	4.6	0.2	0.1

3 Parent Company's financial income and expenses / Group and associated companies

	Parent Company	
	1994	1993
Dividends received		
Group companies	5.4	0.7
Associated companies	14.0	5.0
Interest received on non-current investments		
Group companies	0.9	2.2
Other interest received		
Group companies	3.1	4.3
Interest expenses		
Group companies	18.4	16.7
Currency differences		
Group companies	0.4	– 1.0

4 Currency differences and other financial income and expenses

	Group		Parent Company	
	1994	1993	1994	1993
Currency differences				
Currency losses/gains realized during the year under review	2.8	– 13.6	9.0	– 6.6
Part of the unrealized exchange rate losses arising from currency-denominated loans allocated to year under review	– 8.8	– 22.9	– 4.4	– 22.8
Currency differences	– 6.0	– 36.5	4.6	– 29.4
Other financial income/expenses				
Other financial income	2.0	3.2	1.7	3.0
Expenses on new ship mortgages	– 5.0		– 5.0	
Other financial expenses	– 6.7	– 4.1	– 4.6	– 1.7
Other financial income/expenses	– 9.7	– 0.9	– 7.9	1.3

5 Associated companies

	Group	
	1994	1993
Income statement		
Share of results	26.2	21.6
Dividend adjustment	– 14.0	– 5.0
Extraordinary income	2.2	–
Dividend tax credit	1.0	–
Effect on result	15.4	16.6

NOTES AND COMMENTS

continued

5 Associated companies (cont.)

	Group	
	1994	1993
Balance sheet		
Shares in associated companies		
Balance sheet value before consolidation	27.1	41.9
Adjustment item	27.5	10.5
Share of associated companies' shareholders' equity	54.6	52.4
Non-restricted shareholders' equity		
Adjustment for associated companies	11.2	- 6.1
Translation difference	0.9	-
Result for the year	15.4	16.6
Total adjustment	27.5	10.5

6 Extraordinary income and expenses

	Group		Parent Company	
	1994	1993	1994	1993
Profit on sale of shares	-	6.2	-	4.1
Cost of dismantling warehouses	-	- 4.6	-	-
Group contributions given	-	-	-	- 3.2
Group contributions received	-	-	232.5	124.3
	-	1.6	232.5	125.2

7 Income taxes

	Group		Parent Company	
	1994	1993	1994	1993
Taxes for financial year	- 21.0	- 3.0	19.4	- 0.5
Taxes for previous years (includes corporate tax credit on internal dividend distributed)	- 0.5	0.8	-	0.5
	- 21.5	- 2.2	19.4	0.0

8 Change in deferred tax liability

	Group	
	1994	1993
Changes		
in depreciation difference	- 193.0	- 20.9
in voluntary provisions	-	2.8
Total	- 193.0	- 18.1
Change in deferred tax liability (25%)	- 48.3	- 4.5

9 Fixed assets

	Group		Parent Company	
	1994	1993	1994	1993
Goodwill				
Acquisition cost Jan. 1	40.5	40.5		
Increases	-	-		
Decreases	-	-		
Acquisition cost Dec. 31	40.5	40.5		
Cumulative depreciations Jan. 1	19.4	15.5		
Cumulative depreciations on decreases	-	-		
Depreciation for period	3.8	3.9		
Book value on Dec. 31	17.3	21.1		
Other non-current term expenditure				
Acquisition cost Jan. 1	41.8	37.2	8.9	8.8
Increases	5.2	4.6	0.2	0.1
Decreases				

NOTES AND COMMENTS

continued

9 Fixed assets (cont.)

	Group		Parent Company	
	1994	1993	1994	1993
Acquisition cost Dec. 31	47.0	41.8	9.1	8.9
Cumulative depreciations Jan. 1	21.9	16.1	4.3	3.3
Cumulative depreciations on decreases				
Depreciation for period	6.3	5.8	0.1	1.0
Book value on Dec. 31	18.8	19.9	4.1	4.6
Buildings and constructions				
Acquisition cost Jan. 1	115.1	106.3		
Increases	4.8	8.8		
Decreases				
Acquisition cost Dec. 31	119.9	115.1		
Cumulative depreciations Jan. 1	24.6	19.1		
Cumulative depreciations on decreases				
Depreciation for period	6.2	5.5		
Book value Dec. 31	89.1	90.5		
Accumulated overdepreciations Jan. 1	18.0	19.8		
Over/underdepreciations for period	- 0.7	- 1.8		
Residual value after accumulated total depreciation	71.8	72.5		
Ships				
Acquisition cost Jan. 1	442.3	459.5	27.0	26.8
Increases	647.8	3.1	727.6	0.2
Decreases		- 20.3		
Acquisition cost Dec. 31	1,090.1	442.3	754.6	27.0
Cumulative depreciations Jan. 1	177.3	157.7	3.7	0.1
Cumulative depreciations on decreases		- 6.3		
Depreciation for period	52.6	25.9	27.0	3.6
Book value Dec. 31	860.2	265.0	723.9	23.3
Accumulated overdepreciations Jan. 1	112.9	95.3	10.0	7.9
Over/underdepreciations for period	229.6	17.6	206.2	2.1
Residual value after accumulated total depreciation	517.7	152.1	507.7	13.2
Ship shares				
Acquisition cost Jan. 1	319.1	311.2	67.8	67.7
Increases	1.0	7.9	0.1	0.1
Decreases	- 194.4		- 67.9	- 67.9
Acquisition cost Dec. 31	125.7	319.1	-	67.8
Cumulative depreciations Jan. 1	124.8	100.2	23.6	17.7
Cumulative depreciations on decreases	- 103.7		- 24.8	
Depreciation for period	16.8	24.6	1.2	5.9
Book value Dec. 31	87.8	194.3	-	44.2
Cumulative overdepreciations Jan. 1	41.9	41.5	38.6	42.1
Over/underdepreciations for period	- 39.5	0.4	- 38.6	- 3.5
Residual value after accumulated total depreciation	85.4	152.4	-	5.6
Machinery and equipment				
Acquisition cost Jan. 1	245.1	230.7	2.3	2.3
Increases	43.9	14.4	73.4	0.5
Decreases	- 0.8		- 0.2	- 0.6
Acquisition cost Dec. 31	288.2	245.1	75.5	2.3
Cumulative depreciations Jan. 1	94.5	70.7	1.1	0.9
Cumulative depreciations on decreases	- 15.4			
Depreciation for period	29.7	23.8	0.7	0.3
Book value Dec. 31	179.4	150.6	73.7	1.1
Accumulated overdepreciations Jan. 1	21.5	21.5	0.1	
Over/underdepreciations for period	2.9	0.0	1.1	0.1
Residual value after accumulated total depreciation	155.0	129.1	72.5	1.0
Taxation value				
Land	6.8	6.8		
Buildings	76.4	81.0		
Shares and participations	42.6	72.4	252.7	280.3

NOTES AND COMMENTS

continued

10 Financial assets

Parent Company's non-current investments in Group and associated companies	Parent Company	
	1994	1993
Shares and holdings		
Group companies	379.7	342.2
Associated companies	42.5	57.5
Loan receivables		
Group companies	13.1	13.1
Loan receivables		
Group's loan receivables, FIM 8.9 million, include loans of DEM 2 million given to finance two small tonnage vessels with an option to convert the loans to 20% ownership of the vessels in 1997 and 1998.		

11 Shares and holdings

	Number	Holding %	Nominal value	Book value	Net result
HOLDINGS IN SUBSIDIARIES					
Domestic					
Finn carriers Oy Ab, Helsinki	1,000,000	100.0	100.0	100.0	0.1
FG-Shipping Oy Ab, Helsinki	1,000,000	100.0	10.0	10.0	0.0
Finnfellow Oy Ltd., Helsinki	500,000	100.0	5.0	5.0	0.2
Oy Bore Line Ab, Helsinki	250,000	100.0	6.0	4.8	0.1
Finnsteve Oy Ab, Helsinki	14,400	100.0	1.4	89.9	-4.6
Oy A.E. Erickson Ab, Turku	420,000	100.0	4.1	21.5	0.1
Strömsby-Invest Oy Ab, Kirkkonummi	8,448	60.0	8.4	10.0	-2.9
Oy Intercarriers Ltd., Helsinki	51	51.0	0.2	0.2	3.0
Kantvikin Satama Oy, Kirkkonummi	2,400	30.0	2.4	2.4	0.2
Foreign					
FCRS-Shipping Ltd., Cayman Islands	50,000	100.0	USD 0.05	0.0	2.8
FG-Waggon Limited, Cayman Islands	100	100.0	USD 0.01	0.0	0.6
FG-Finance S.A.H., Luxemburg	15,913	100.0	LUF 166.5	23.5	42.1
FG Schiffahrts-Beteiligungsgesellschaft mbH, Germany	2	100.0	DEM 0.05	75.0	8.8
Finn carriers GmbH, Germany	50	100.0	DEM 0.05	0.1	-0.1
Railship AG, Switzerland	4,348	86.96	CHF 4.3	37.4	6.7
Bore Line A/S, Norway	500	100.0	NOK 0.5	0.3	1.5
Fennia Shipping Ltd., Cayman Islands	50,000	100.0	USD 0.05	0.2	0.0
A/O Eurocarriers STP, Russia	100	100.0	RUR 0.1	-	-
Aktiebolaget Finnlines Ltd., Sweden	600	100.0	SEK 0.06	0.6	0.0
Finnlines (Lübeck) GmbH, Germany	1	100.0	DEM 0.05	0.2	0.0
Finmanagement Ltd., Cayman Islands	100	100.0	USD 0.001	0.0	0.0
Other companies				0.5	0.0
				381.6	
of which subsidiaries' holdings in Group companies				-2.1	
Total				379.7	
ASSOCIATED COMPANIES					
Domestic					
Oy Huolintakeskus Ab, Helsinki	53,545	45.5	0.5	20.6	43.0
Railship Oy Ab, Helsinki	46,000	46.0	4.6	0.6	-
Baltic Bulk Services Oy Ab, Helsinki	250	50.0	0.3	0.3	-
Optar Oy, Helsinki	1,788	50.0	1.8	1.8	0.0
Other companies				0.1	0.0
Foreign					
Finnbelgia Agencies N.V., Belgium	3,200	50.0	BEC 4.0	0.6	-0.1
Frachtkontor Finnland OHG, Germany	1	50.0	DEM 0.01	0.0	-
Finnwest N.V., Belgium	2,500	33.3	BEC 25.0	2.7	-0.2
Finanglia Ferries Ltd., Great Britain	50,000	50.0	GBP 0.1	0.5	-0.6
Total				27.1	

NOTES AND COMMENTS
continued

11 Shares and holdings (cont.)

	Group		Parent Company	
	1994	1993	1994	1993
OTHER SHARES				
Domestic				
Steveco Oy, Kotka	5,732	19.1	5.7	24.5
Oy Finnlink Ab, Uusikaupunki	6,077	17.5	0.1	6.0
Helsingin Puhelinyhdistys, Helsinki	228			1.4
Sampo Insurance Company Limited, Turku	17,015		0.3	0.3
Other companies (22)				4.5
Foreign				
Other companies (1)				0.2
Total				36.7

12 Valuation items

	Group		Parent Company	
	1994	1993	1994	1993
Capitalized exchange rate losses on loans Jan. 1	50.0	63.8	45.6	57.9
Change during the year	- 32.6	9.1	- 32.6	9.1
Allocation to the year	- 8.8	- 22.9	- 4.4	- 21.4
Capitalized exchange rate losses on loans Dec. 31	8.6	50.0	8.6	45.6

13 Parent Company's receivables and payables / Group and associated companies

	Parent Company	
	1994	1993
Other receivables		
Group companies	92.8	77.9
Other non-current liabilities		
Group companies	135.2	150.0
Purchases payable		
Group companies	1.4	1.0
Other current payables		
Group companies	126.6	122.5

14 Shareholders' equity

	Group		Parent Company	
	1994	1993	1994	1993
Share capital Jan. 1	156.0	130.0	156.0	130.0
Share issue	37.5	26.0	37.5	26.0
Share capital Dec. 31	191.7	156.0	191.7	156.0
Reserve fund Jan. 1	39.0		39.0	
Share issue	236.8	39.0	236.8	39.0
Reserve fund Dec. 31	275.8	39.0	275.6	39.0
Other restricted equity				
Transferred from non-restricted equity	0.8	0.1	-	-
Other restricted equity Dec. 31	0.7	0.7	-	-
Other restricted equity Dec. 31	1.5	0.8	-	-
Restricted equity Dec. 31	469.0	195.8	467.5	195.0
Adjustment for associated companies before previous year's result				
Of previous year's result	- 6.1	- 19.8	-	-
Other adjustment item (exchange rate difference)	16.6	12.8	-	-
Other adjustment item	0.6	0.9	-	-
Adjustment for associated companies Dec. 31	11.1	- 6.1	-	-
Equity part of provisions before previous year's result	168.4	182.8	-	-
Of previous year's result	13.6	- 10.8	-	-
Other adjustment item	- 0.6	- 3.6	-	-
Equity part of provisions Dec. 31	181.4	168.4	-	-
Translation difference	0.1	0.7	-	-

NOTES AND COMMENTS

continued

14 Shareholders' equity (cont.)

	Group		Parent Company	
	1994	1993	1994	1993
Other non-restricted equity before previous year's result				
and translation difference	- 1.7	- 1.2	74.3	71.4
Of previous year's result	67.4	4.6	60.4	2.9
Translation difference	-	- 4.4	-	-
Transferred to restricted equity	- 0.7	- 0.7	-	-
Dividend paid	- 15.6	-	- 15.6	-
Other non-restricted equity Dec. 31	49.4	- 1.7	119.1	74.3
Result for year	173.0	97.6	95.2	60.4
- of which from associated companies	15.4	16.6	-	-
- of which from equity part of provisions	144.7	13.6	-	-
- transferred to other non-restricted equity	12.9	67.4	-	-
Non-restricted equity Dec. 31	415.0	258.9	214.3	134.7
- of which disposable	88.9	76.9	214.3	134.7
Total equity Dec. 12, 1994	884.0	454.7	681.8	329.7

15 Depreciation differences and provisions

	Group	
	1994	1993
Depreciation differences	386.6	194.4
Voluntary provisions	48.5	48.5
Group total before appropriations	435.1	242.9
Deferred tax liability	108.8	60.7
Minority interest	0.2	0.2
Portion of shareholders equity	326.1	182.0
of which		
- portion of provisions	181.4	168.4
- portion of the year's result	144.7	13.6

16 Non-current liabilities

	Group		Parent Company	
	1994	1993	1994	1993
Debts falling due in five years or longer				
Loans from credit institutions	166.2	236.9	151.7	168.5
Pension loans	35.5	48.8	22.4	14.1
Others	0.1	0.1	-	-

17 Fixed and floating rate notes and warrant bond loans

In November 1993 Finnlines issued FIM 100 million in unsecured fixed term notes. The term of the notes is 4 years and they fall for payment in one instalment at the end of the term of the loan. The coupon interest in the notes is 8.25%.
In April 1994 Finnlines issued FIM 100 million in floating rate notes. The term of the notes is 5 years and the coupon rate 6 months helibor + 1.20%.

In June 1994 the Company issued a FIM 1.1 million warrant bond loan targeted to the Management of the Company, which is booked into Other non-current liabilities in the balance sheet. The loan period is 4 years and the coupon interest the base rate of Bank of Finland - 1%. Each bond with nominal value of 1000 FIM has one warrant which entitles the holder to subscribe 400 Finnlines shares at a price of 89.70 FIM.

NOTES AND COMMENTS
continued

18 Pledges and mortgages

	1994	1993
Ship mortgages		
Parent Company		
- own liabilities	669.7	23.3
Subsidiaries		
- own liabilities	186.8	160.7
- Parent Company's liabilities	125.5	152.0
- liabilities in ship shares	25.0	40.1
Other mortgages		
Parent Company		
- own liabilities	72.0	
Subsidiaries		
- own liabilities	33.6	52.8
- for Group companies	25.5	124.2
Group total	1,193.0	553.1
Other pledges		
Parent Company		
- own liabilities	19.5	164.8
- for subsidiary	16.8	15.0
Subsidiaries		
- own liabilities	0.1	15.1
- for Group companies	18.5	28.9
Group total	54.9	223.8
	1,193.0	776.9

No pledges or mortgages have been given for associated companies.

19 Contingent liabilities and leasing liabilities

	1994	1993
Loan guarantees		
Parent Company		
- on subsidiaries' account	3.6	63.0
- on other companies' account	0.5	0.5
Parent Company total	4.1	63.5
Subsidiaries		
- on associated companies' account	-	0.8
- on other companies' account	5.0	8.5
Group on other companies' account	5.5	9.8
Leasing liabilities (payments to be made)		
Parent Company in the following financial year	13.7	16.7
Parent Company in subsequent years	41.1	66.8
Subsidiaries in following financial year	13.3	20.5
Subsidiaries in subsequent years	7.8	17.2

20 Pension liabilities

	Group		Parent Company	
	1994	1993	1994	1993
Liabilities from pension commitments	1.9	6.3	-	-
Pension funds' liability deficit	-	-	-	-
	1.9	6.3	-	-

BOARD OF DIRECTORS' PROPOSAL TO
THE ANNUAL GENERAL MEETING

According to the consolidated balance sheet on December 31, 1994:

Profit from previous years	FIM	242,081,184.51
Profit for the financial year	FIM	172,979,751.98
<hr/>		
Non-restricted equity, total	FIM	415,060,936.49
<hr/>		
of which disposable	FIM	88,924,590.67

According to the balance sheet on December 31, 1994 Parent Company profits stand at:

Profit from previous years	FIM	119,054,289.51
Profit for the financial year	FIM	95,241,218.71
<hr/>		
Non-restricted equity, total	FIM	214,295,508.22
<hr/>		

The Board of Directors proposes that a 20 % dividend i.e. FIM 2 per share, be paid on the 19,168,979 shares in the FIM 191,689,790 share capital out of the profit for the year, that is a total of FIM 38,337,958 and that the residual balance be transferred to non-restricted equity.

Helsinki, February 3, 1995

L.J. Jouhki

Martin Granholm	Jukka Härmälä
Pertti Laine	Jouko K. Leskinen
Thor Björn Lundqvist	Olli Parola
Pentti Seppälä	Antti Lagerroos President and Chief Executive Officer

According to the proposal made by the Board of Directors, the dividend approved by the Annual General Meeting will be paid to those shareholders who on February 17, 1995 are registered as shareholders in the list kept by the Central Register for Shares. The date on which the dividend is paid is February 22, 1995.

REPORT OF THE AUDITORS
To the Shareholders of Finnlines Oy

We have audited the accounts, the accounting records and the administration of Finnlines Ltd for the 1994 financial year. The accounts prepared by the Board of Directors and the President and CEO include, both for the Group and the Parent Company, a report on operations, an income statement, a balance sheet and notes to the accounts. We provide our opinion on the accounts and the administration based on our audit.

We have audited, in accordance with Finnish auditing standards, the accounting records, and the accounts, the disclosures and the presentation of information, including the accounting policies, in the accounts. The audit of the administration has included obtaining assurance that the actions of the members of the Board of Directors and the President and CEO have been in conformity with the regulations of the Companies' Act.

In our opinion the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the

preparation of the accounts, and give a true and fair view of the Parent Company's and the Group's results from operations and financial position in accordance with such legislation and regulations. The profit of the Parent Company for the 1994 financial year is FIM 95,241,218.71 and the profit of the Group FIM 172,979,751.98.

The accounts including the Group accounts may be approved, and the members of the Board of Directors and the President and CEO may be discharged from liability for the financial year examined by us.

The proposal of the Board of Directors concerning the disposition of the unrestricted shareholders' equity according to the balance sheet is in accordance with the Companies' Act.

We have reviewed the interim reports published during the financial year. According to our review they have been prepared in accordance with the relevant regulations.

Helsinki, February 4, 1995

Anneli Lindroos
Authorized Public Accountant

Aunus Salmi
Authorized Public Accountant

*In the two share
issues launched,
FIM 272.5 mil-
lion of new capi-
tal was collected.*

DEVELOPMENTS IN THE DIVISIONS

PARENT COMPANY FINNLINES LTD

Finnlines Ltd, which is the Parent Company of the Finnlines Group, has been a listed company since 1990. Finnlines is in charge of strategic planning and leading for the entire Group, treasury and control functions, data administration and legal affairs. Finnlines owns the majority of the Group's owned fleet. Moreover, the entire new combi-ro-ro fleet will come under the ownership of the Parent Company.

In March, Finnlines launched a share issue totalling FIM 230 million primarily targeted at international institutional investors. The share capital increase accounted for FIM 31 million and the issue premium for FIM 197 million.

A total of 1,560,000 shares with a nominal value of FIM 20 per share were subscribed for at a price of FIM 155 per share.

In June, the company share was split into two new shares with a nominal value of FIM 10 each. At the year end the stock quotation was FIM 97, which was 25% above the subscription price for the issue.

In March, Finnlines purchased MS Finnsailor from the shipping partnership Finnsailor and MS Finnmerchant from the shipping partnership Finnmerchant. Previously the Group had a 60% holding in the ships, of which the Parent Company's share was 30%.

In April, Finnlines issued 5-year unsecured floating rate notes for FIM 100 million. The interest rate on the notes is the 6 month Helibor rate + 1.20%.

DEVELOPMENTS IN THE DIVISIONS

In August, Finnlines acquired the MS Solano by targeting a share issue at the owner of the vessel. The seller subscribed for 448,979 new Finnlines shares of a nominal value of FIM 10 at a price of FIM 98 per share. The name of the new vessel is Finnpine. The vessel entered the Group's service at the beginning of 1995.

The issue of insurance indemnity for MS Finnpolaris, which sank in 1991, was by the underwriters submitted to the average adjuster for settlement. In the decision given on December 14, 1994, the average adjuster enjoined the principal underwriter to compensate the shipowner for the full amount including interest at 16 per cent as from July 1, 1994. The decision is also binding on co-insurers. The vessel was owned by Finnlines' foreign subsidiary, FCRS Shipping Ltd, and its insurance value was FIM 40 million. The decision will improve Finnlines' liquidity as well as results with regard to interest.

The Group result before extraordinary items for the year under review was FIM 245 million, which was an improvement of 136 per cent on the result of the previous year. Factors contributing to the positive result were rationalization carried out during the year under review and previously, the improvement in financing as a result of the share issue and more effective marketing combined with the improved market situation. A slightly negative factor was the strengthening of the markka by some 8 per cent compared to the main invoicing currency, the Deutschmark, during the year. The Board of Directors proposes to the Annual General Meeting a dividend of FIM 2 per share.

DEVELOPMENTS IN THE DIVISIONS

Liner Services

LINER SERVICES

The core business of Finnlines is liner services. Divisional turnover was FIM 1,464 million (FIM 1,366 million) which represents 81 per cent of the turnover for the entire Group. The Parent Company Finnlines and the ship management company FG-Shipping Oy Ab are included in Liner Service division's figures. The Liner Service division handles liner services in the Baltic, the North Sea and the Bay of Biscay, small tonnage traffic and contract traffic as well as railway-ferry services as of January 1, 1995.

The services are marketed by Finn carriers Oy Ab, a subsidiary of Finnlines Ltd.

Finn carriers Oy Ab (100%) and Subsidiaries

In addition to Finn carriers Oy Ab, the Finn carriers Group includes Finn carriers AB (100%), Fennia Shipping Ltd (100%), Oy Intercarriers Ltd (51%) and A/O Euro carriers STP (100%). Finn carriers provides customers with regular liner services between Finland and Germany, Scandinavia, the countries of the North Sea and the Bay of Biscay, small tonnage services between Finland and Continental Europe, contract services between Finland and North America as well as door-to-door services tailored to meet the needs of the customer. Oy Intercarriers Ltd offers agency and clearance services related to small tonnage chartering operations.

In February, Finn carriers Oy Ab sold the remainder of its share capital (34%) in Westerlund France S.A. to the Belgian stevedoring company Westerlund N.V. as part of the collaboration arrangements begun during 1993. In March, a decision was made to dissolve the shipping partnerships Finn merchant and Finnsailor in conjunction with which the 30% holdings of Finn carriers in MS Finn merchant and MS Finnsailor were sold to the Parent Company Finnlines Ltd.

In April, A/O Euro carriers STP was set up in St. Petersburg. The company is engaged in activities related to shipping, inland shipping and other transport operations in Russia.

The cargo volumes carried by Finn carriers Oy Ab exceeded the volume for the previous year by some 9.4%. Import volume in the most important traffic areas increased more than export volume. The average number of vessels in the service of the Group during the year was 84.

Liner Traffic

Group's operations are based on liner services in the Baltic and the North Sea. The Baltic is the most important traffic area for the Company, which offered customers several daily departures between Finland and Continental Europe both ways. On Baltic routes, Finn carriers operates in collaboration with Poseidon Schiffahrt OHG and Euro seabridge GmbH and with the United Baltic Corporation and Ahlers Lines N.V. The Scandinavian traffic was operated as part of the Baltic Conference. Finn carriers controlled the majority in both Conferences and functioned as the conference manager. Poseidon Schiffahrt OHG bought the conference rights of Ahlers Lines N.V. in the North Sea liner traffic at the year end.

In August, the first of the four combi-ro-ro vessels ordered from Poland came into service on the Helsinki-Lübeck line. The other three vessels will come into service during 1995. A new route between Travemünde and St. Petersburg was opened up and will probably be continued to be run after the winter season.

Small Tonnage Services

Finn carriers operated an average of 44 so-called small tonnage vessels during the year. Of these vessels 15 were owned by Russian associates cooperating with



F-piippu

Finnlines' operations are based on liner services in the Baltic and the North Sea. The Baltic is the most important traffic area for the Company, which offered several daily departures between Finland and Continental Europe both ways.

Antares ja X laivat edestä
keltaiset tolpat oikealla

DEVELOPMENTS IN
THE DIVISIONS
Liner Services

Oy Inter-carriers Ltd. The vessels operate direct routes from Lake Saimaa or from ports in the Gulf of Bothnia to Continental Europe or to the sea and inland ports of Russia.

The development of small tonnage services was continued within both Finn-carriers and Oy Inter-carriers Ltd. A/O Euro-carriers STP, for its part, strengthened the Company's standing in Russian inland shipping services by collaborating with Inter-carriers' Russian shareholders.

Contract Services

The Company operated its contract traffic between Finland and North America under the name of F-Ships. In December, a decision was made to form a company, Baltic Bulk Services Oy Ab, to run the bulk service operated by F-Ships. A/S EM. Z. Svitzer, a subsidiary of the Danish Maersk Group, is the company's other owner with a 50% holding.

The Company continued to act as the agent for Svenska Orient Linien AB, primarily handling Eastern Mediterranean traffic.

Railway-ferry Services

The Finnlines Group owns 40% of the Rail-ship Group which specializes in transporting railway waggons between Finland and Continental Europe.

The difference between track widths in Finland and Continental Europe is 89 mm. The track width in Finland and Russia, however, is the same. The Rail-ship Group has developed its own waggons, and owns 1482 of these together with a bogie changing station in Hanko, where the axle width of the waggons can be changed in just ten minutes. Consequently, these waggons can be transported

DEVELOPMENTS IN THE DIVISIONS

Liner Services

between Continental Europe, Finland and Russia without unloading the goods.

The total invoicing for the Railship Group during the year under review was FIM 488 million, with the Finnlines Group accounting for FIM 80 million (FIM 98 million) of turnover. This comprised the Group's share of the Railship Group's turnover. The decrease in turnover compared with the previous year is due to the sale of the railway-ferry Railship I to Railship Oy Ab. The vessel was sold to Finland and was registered under Finnish flag in order to reduce crewing costs.

Railship services between Hanko and Travemünde were operated using three railway-ferries. In order to improve the traffic balance, some of the railway-ferries'

cargo decks were rented to the Group's liner services.

To offer their customers the most efficient, high quality service package that will further improve price competitiveness, Finnlines, the Parent Company of Finn-carriers and its partner Stinnes, decided to combine the operations of the Railship railway-ferry company which operates in the Baltic with those of the liner service division. Finn-carriers is responsible for the operations, sales and administration for the entire new traffic group. The actual transfer of Railship business operations to Finn-carriers took place on January 1, 1995. The Railship railway-ferry services continued with two vessels in service on the Helsinki-Travemünde line. Railway-ferry services are still sold under the company name Railship.

FG-Shipping Oy Ab (100%)

FG-Shipping Oy Ab is a subsidiary company owned entirely by Finnlines Ltd. FG-Shipping Oy Ab has three subsidiaries: AB Finnlines Ltd, Finnlines (Lübeck) GmbH and Finnmanagement Ltd.

FG-Shipping has been engaged in the technical development of the Group's tonnage, supervision of newbuildings, ship management, buying and selling vessels, and charter and operating services.

The building and supervision of four new-generation combi-ro-ro vessels ordered by Finnlines and Poseidon Schifffahrt continued. The first of these was delivered to Finnlines on August 3, 1994 in Gdansk. The second vessel was launched on July 15, 1994 and is expected to be completed in February 1995. Completion of the third vessel is expected in summer 1995, and the fourth by the end of 1995.

During the year under review, the Company's management tonnage increased by

the acquisition of two second-hand vessels, Railship I and Finnpine, in addition to Finn-hansa. One cement carrier was withdrawn from the management tonnage.

At year end, 28 (26) vessels were managed by the Company. The Company crewed 20 (18) of these vessels and employed 508 (428) seamen. Five of the vessels managed by the Company were registered abroad in various shipping registers. Eight of the management ships were engaged in Finn-carriers' European service and four in F-Ships' North American traffic and two deck barges were used for bulk cargo shipments in the Baltic. The Company further managed ten ships used by industrial companies for carrying their own goods. Two company-managed ro-ro vessels were in service on Finnlink's Uusikaupunki-Hargshamn line. Two further ships were operated by the Company, one of them in worldwide tramp traffic and the other in service in northern Europe.

DEVELOPMENTS IN THE DIVISIONS

Port Operations

PORT OPERATIONS

The turnover of the port operations division was FIM 322 million (FIM 267 million), which was 18% of the Group's total turnover.

Finnsteve Oy Ab (100%)

The Finnsteve stevedoring company operates in the Sompasaari, West and South harbours in Helsinki, and at Kantvik harbour in Kirkkonummi. The company also runs a terminal, provides a warehouse service and operates a container depot.

The positive development in foreign trade and sea transportation is reflected in Finnsteve's operations. A total of 2,818,419 (+ 8%) tonnes and 742,679 (+ 23%) units of cargo were handled in Helsinki and Kantvik (2,603,479 tonnes and 604,526 units) during the year under review.

The Company continued to develop its services. From the beginning of March, export terminal services were provided on a three-shift basis at the West Harbour. In the data management services the focus was on designing telecommunication networks and bringing them into service. Finland's entry into the EU will change the ports' systems for collecting freight charges. From the beginning of 1995, in accordance with the agreement concluded with the Port Authorities, Finnsteve will start a service for freight charge invoicing and accounting to customers at the Helsinki ports.

Oy A.E. Erickson Ab (100%)

Erickson runs stevedoring and terminal operations at the Port of Turku. The Company is also engaged in forwarding and ship clearance under the auxiliary business name Turku Shipping.

The volume of cargo handled by Erickson rose by 10% and forwarding and ship clearance commissions by 10%.

The Company handled 932,851 tonnes of cargo in 1994 (846,157 tonnes the previous year). The increase in the volume of cargo was due to the growth in Finland's foreign trade and the busy winter traffic. From the beginning of the year, Erickson will handle most of the freight charge invoicing and accounting service to customers at the port of Turku.

Kantvik Port Co. Ltd (60%)

Strömsby-Invest Oy Ab (60%)

Kantvik Harbour is a private harbour in Kirkkonummi, located on a 44 hectare land and water site owned by Strömsby-Invest Oy Ab. The harbour is operated by Finnsteve Oy Ab and has 2 quays for 10,000-15,000 dwt vessels.

The effort started in 1992 to explore the best location for a new metropolitan port continued. The Kantvik Harbour owned by Finnlines combined with the Pikkalanlahti industrial estate is one of the options for the site. At the end of fall 1994, Finnlines and Nokia Oy, which own land in Pikkalanlahti in Kirkkonummi, commissioned a feasibility study including finance for cargo port with a capacity in excess of 12 million tons per year. The new port would replace existing cargo ports in Helsinki and would be owned by private investors and the local council. Decisions regarding possible subsequent projects will be made once the investigations have been completed.

Laivan
kylkiankkuri?xx

*The positive trend
in foreign trade
and sea transpor-
tation is reflected
also in port opera-
tions.*

Junalautta

ASSOCIATED COMPANIES**Oy Huolintakeskus Ab (45.5%)**

The Huolintakeskus Group provides international transport, forwarding and warehousing services for trade and industry. The Group is represented in more than 130 countries, and companies which have attained a solid national standing have been selected as partners, with whom long-term cooperation agreements have been concluded. Huolintakeskus operates through its subsidiaries in Finland's neighboring territories such as Russia and the Baltic countries.

Positive progress was made in the Group's operations and financial performance in 1994. Invoicing rose to approximately FIM 2.6 billion and Group turnover was FIM 1.1 billion, an increase of 20% on the previous year. The Group's result before taxes and minority interest was FIM 55 million (FIM 50.6 million).

The Huolintakeskus Group's personnel numbered 701 (657) at the end of the financial year. Finnlines accounted for FIM 23 million of the Huolintakeskus Group's result.

Towards the end of the summer, Huolintakeskus announced the formation of its own domestic transport organization, Huolintakeskus-Kotimaa Oy, with two prominent Finnish domestic carriers. Together with the solid domestic carriers, the international Huolintakeskus Group forms a domestic organization which has a light cost structure but is efficient and will fit in smoothly with Huolintakeskus' European operations.

Organizational changes which aimed at improving the Group's market status in NVO traffic in the unit's main market area, the Far East and North America, were implemented in the overseas unit during the past year. In contract transports, the focus was on Indonesia and China during the year under review.

The subsidiary Finntransport has proved to be an important mainstay in European transport. Special operations, Fashion Logistics, car imports, the warehouse-"hotel" and the thermo-transport unit have also had a successful year. Trade with Russia has played an important role in the business operations of the units, and in spite of the rapidly changing conditions, Huolintakeskus' subsidiary in Russia has been successful in its business operations. Finland's membership in the EU will have a strong impact on the Group's operations in 1995. As transports within the EU are no longer subject to customs clearance, the number of personnel has been reduced by 50 in order to adjust to the new situation. With membership in the EU, the remaining restrictions based on transport license requirements will disappear. This is likely to lead to an increase in the volume of foreign trade.

ARTICLES OF ASSOCIATION

FINNLINES OY

THE COMPANY AND ITS OPERATIONS

§1 Company name and domicile

The name of the company is Finnlines Oy, in Swedish Finnlines Ab, in English Finnlines Ltd, and in German Finnlines AG. The Company domicile is Helsinki.

§2 Sphere of operations

The Company's sphere of operations is shipping, other transports and foreign trade and other services, and trade and commercial operations related to the foregoing.

MINIMUM AND MAXIMUM CAPITAL, SHARES AND SHAREHOLDERS

§3 Minimum and maximum capital

The Company's minimum capital is 70 million and its maximum capital 280 million marks, within which limits the share capital may be increased or decreased without amending the Articles of Association.

§4 Nominal value of the shares

The nominal value of the shares is 10 marks.

§5 Book-entry securities system

The Company shares shall be in the book-entry securities system after the registration date specified by the Company Board of Directors.

After the registration date, the right to funds distributed by the Company and the subscription right when share capital is increased shall be held only by a party

1. who was entered as a shareholder in the shareholder register on the record date;
2. whose right to payment had, on the record date, been entered in the book-entry securities account of registered shareholders, and entered in the shareholder register; or
3. if the share has been registered in a nominee's name, in whose book-entry securities account the share had, on the record date, been entered and the custodian of whose shares had, on the record date, been entered as the custodian of the shares in the shareholder register.

§6 Redeeming the Company's own shares

The Company is entitled, on offer, to redeem its own shares using its distributable equity without decreasing the share capital.

BOARD OF DIRECTORS

§7 Board of Directors

The Board of Directors shall be elected from amongst Company shareholders. The Board of Directors shall comprise at least seven and at most twelve members. The term of a Board member begins immediately following the election and ends at the latest at the close of the third annual general meeting following the election. If possible, the annual general meeting shall elect the members so that the term of one-third of the members ends every year. A member who is in turn to resign from the Board may be re-elected. Should a Board member resign before the end of his term, a by-election for the remaining term can be held at a general meeting.

The Board of Directors shall elect a chairman and a vice-chairman from amongst its members until the end of the following annual general meeting.

§8 President

The Company shall have a president appointed by the Board of Directors, who shall attend to the Company's operative administration in accordance with instructions and regulations issued by the Board of Directors, and who may have one or more deputies.

§9 Signing for the Company

The Company is signed for by the chairman of the Board and the president, each severally, and by members of the Board of Directors two together. The Company Board of Directors shall otherwise decide on procurations and rights to sign for the Company.

§10 Auditors

The Company shall have at least two and at most three regular auditors and one deputy auditor. The auditors are elected for the ongoing financial year at the annual general meeting. At least one regular auditor and the deputy auditor must be authorized public accountants or authorized public accounting firms.

THE ANNUAL GENERAL MEETING

§11 Summons to meetings

The summons to a general meeting shall be published in a newspaper with a nationwide circulation chosen by the Board, at the earliest four weeks before the General Meeting and at the latest one week before the registration date for the General Meeting as specified in §12.

§12 Attendance

A shareholder who wishes to attend a General Meeting shall notify the Company Board of Directors at the latest on the day specified in the invitation, which may be five days before the meeting at the earliest.

§13 Meeting procedure

A General Meeting shall be opened by the chairman or vice-chairman of the Board of Directors, or, if they are unable to attend, by another member of the Board of Directors who is present.

The minutes of a general meeting shall be scrutinized by the chairman and by two scrutinizers elected by the meeting.

Matters are settled by a simple majority of votes, unless otherwise prescribed by the Companies Act. In the event of a tie, the chairman has the casting vote, except in an election, where the matter shall be settled by lot. The method of voting is decided by the chairman of the meeting.

§14 Annual general meeting

The annual general meeting shall be held annually at the latest in June.

At the annual general meeting the following shall be presented:

1. the financial statements
 2. the auditors' report
- decided:
3. approval of the income statement and balance sheet;
 4. measures called for by the result reported in the financial statements;
 5. granting discharge from liability to the members of the Board of Directors and the president;
 6. number of Board members and the remuneration to be paid to Board members;
 7. number of auditors and the remuneration to be paid to them;
- elected:
8. Board members;
 9. auditors and deputy auditor, and
- dealt with:
10. any other matters mentioned in the invitation to the General Meeting.

§15 Financial year

The company financial year is the calendar year.

Registered on June 15, 1994

ADDRESSES

Finnlines Oy	Lönnotinkatu 21 P.O.Box 182 00121 Helsinki	phone + 358 0 162 2400 telefax + 358 0 693 1696
Finn carriers Oy Ab	Porkkalankatu 7 P.O.Box 197 00181 Helsinki	phone + 358 0 134 311 telex 122882 fcrs sf telefax + 358 0 134 31200, 134 31300
FG-Shipping Oy Ab	Lönnotinkatu 21 P.O.Box 406 00121 Helsinki	phone + 358 0 162 21 telex 124462 fgsoy sf telefax + 358 0 693 2403 693 1873
Finnsteve Oy Ab	Saukonkuja 5 P.O.Box 225 00181 Helsinki	phone + 358 0 695 61 telex 122408 hstev sf telefax + 358 0 695 6371
Oy A.E. Erickson Ab	Huolintakatu 5 20200 Turku	phone + 358 21 637 555 telex 62166 tship sf telefax + 358 21 303 115
Railship Oy Ab	Porkkalankatu 7 P.O.Box 197 00181 Helsinki	phone + 358 0 134 311 telex 122882 fcrs sf telefax + 358 0 134 31200, 134 31300
Kantvikin Satama Oy	02460 Kantvik	phone + 358 0 298 5022 telefax + 358 0 298 5163
Strömsby-Invest Oy Ab	02460 Kantvik	phone + 358 0 298 5022 telefax + 358 0 298 5163

FLEET JANUARY 1, 1994

SHIPS PLYING IN GROUP SERVICES

	<i>Tarffic</i>	<i>Group's share</i> <i>in ship, %</i>	<i>Owner</i>	<i>GT, GRT, DWT, delivery year</i>
AHLERS BALTIC	Finn carriers		Ahlers Lines N.V.	21.224 GT/13.773 DWT, 1990
BALTIC EIDER	Finn carriers		United Baltic Corporation Ltd.	20.865 GT/13.866 DWT, 1989
ANTARES*	Finn carriers	100	Finn carriers Oy Ab	19.963 GT/8.793 DWT, 1988
FINNSAILOR*	Finn carriers	100	Finnlines Ltd	19.919 GT/8.842 DWT, 1987
ANN-MARI	Finn carriers		Rederi AB Lillgaard	5.972 GT/4.669 DWT, 1991
ASTREA*	Finn carriers	100	Finn carriers Oy Ab	9.528 GT/6.672 DWT, 1991
AURORA	Finn carriers		Hafslund Bulk I A/S	20.391 GT/13.030 DWT, 1982
FINNMERCHANT*	Finn carriers	100	Finnlines Ltd	21.195 GT/13.025 DWT, 1982
OIHONNA*	Finn carriers	100	Finn carriers Oy Ab	20.203 GT/12.870 DWT, 1984
BALTIC EAGLE	Finn carriers		United Baltic Corporation Ltd.	14.738 GT/9.450 DWT, 1979
BORE BRITANNICA	Finn carriers		Oy Rettig Ab	15.525 GT/8.429 DWT, 1978
BORE GOTHICA	Finn carriers		Aug. Lindholm eft. AB	14.059 GT/8.429 DWT, 1978
BORE NORDIA	Finn carriers		Oy Rettig Ab	7.395 GT/5.282 DWT, 1991
CELIA	Finn carriers		B&N, Bylock & Nordsjöfrakt AB	20.172/12.200 DWT, 1979
CORTIA	Finn carriers		B&N, Bylock & Nordsjöfrakt AB	20.169 GT/12.200 DWT, 1978
FINNFELLOW*	Finnlink	18	Laivanisännistöyhtiö Railfellow	14.297 GT/4.922 DWT, 1973/89
FINNMAID*	Finnlink	18	Laivanisännistöyhtiö Finnmaid	13.730 GT/5.300 DWT, 1972/89
FINNHANSA*	Finn carriers	100	Finnlines Ltd	32.531 GT/11.600 DWT, 1994
FINNFIGHTER*	F-Ships		Puhos Shipping Limited	12.582 GT/14.931 DWT, 1978
LOTILA*	F-Ships		Amer-yhtymä Oy	12.409 GT/14.931 DWT, 1977
POKKINEN*	F-Ships		Lumi Shipping Ltd	12.409 GT/14.883 DWT, 1980
VARJAKKA*	F-Ships		Lumi Shipping Ltd	12.409 GT/14.938 DWT, 1979
NOMADIC POLLUX	F-Ships		K/S Nomadic Pollux	13.988 GT/17.160 DWT, 1977
FINNMASTER*	Finn carriers	100	Finnlines Ltd	11.839 GT/5.710 DWT, 1973
WESTÖN	Finn carriers		B&N, Bylock & Nordsjöfrakt AB	11.889 GT/6.700 DWT, 1973
FINNPINE*	Finn carriers	100	Finnlines Ltd	8.996 GT/7.669 DWT, 1984
BORE SONG	Finn carriers		Oy Rettig Ab	8.188 GT/6.000 DWT, 1977
BEERBERG	Finn carriers		Euroseabridge GmbH	6.712 GT/4.665 DWT, 1972
GLEICHBERG	Finn carriers		Euroseabridge GmbH	10.243 GT/6.704 DWT, 1982
PARA-DUO*	F-Ships		Laivanisännistöyhtiö Proomu 343	2.826 GT/6.000 DWT, 1984/92
PARA-UNO*	F-Ships		Laivanisännistöyhtiö Proomu 342	2.826 GT/6.000 DWT, 1992
POLARIS	Finn carriers		Schiffahrtsgesellschaft MS "Odin" KG	7.950 GT/6.494 DWT, 1988
RAILSHIP I*	Railship	40	Railship Oy Ab	17.864 GT/8.970 DWT, 1975/79
RAILSHIP II	Railship	40	Partenreederei MS "Railship II"	20.077 GT/10.057 DWT, 1984
RAILSHIP III	Railship	40	Partenreederei MS "Railship III"	20.470 GT/10.070 DWT, 1990

SWAN HUNTER	Finn carriers	Swan Shipping A/S	8.407 GT/6.266 DWT, 1993
TRANSFINLANDIA	Finn carriers	Poseidon Schiffahrt OHG	19.524 GT/11.000 DWT, 1981
TRANSLUBECA	Finn carriers	Poseidon Schiffahrt OHG	24.727 GT/11.300 DWT, 1990

Ships plying in group services, totalling 38 ships

* Managed by FG-Shipping

DURING THE YEAR ON AVERAGE 44 TIME-CHARTERED SMALL TONNAGE SHIPS, E.G.

LADOGA-type	Finn carriers	1.853 GRT/2.075 DWT
PIONIER	Finn carriers	2.270 GT/2.850 DWT
P-typei	Finn carriers	1.522 GT/1.650 DWT
STK-type	Finn carriers	1.800 GT/1.675 DWT

SHIPS MANAGED BY FG-SHIPPING

BOARD	bulk	Suomen Asiakasrahoitus Oy	9.066 GT/14.100 DWT, 1987
BOTNIA	bulk	Suomen Asiakasrahoitus Oy	9.066 GT/13.995 DWT, 1987/91
BULK	bulk	Suomen Asiakasrahoitus Oy	9.066 GT/14.100 DWT, 1987
KALLA	bulk	Partrederiet för Kalla	9.066 GT/14.100 DWT, 1986
TASKU	bulk	Partrederiet för Tasku	9.066 GT/14.100 DWT, 1986
MOTTI	bulk	Lumi Shipping Oy	5.165 GT/8.212 DWT, 1993
FINNWOOD	tramp	Puhos Shipping Limited	21.305 GT/30.946 DWT, 1989
KEMIRA	industrial transports	Kemira Oy	5.582 GRT/ 8.250 DWT, 1981
RAUTARUUKKI	bulk	Partrederiet för Rautaruukki	1.562 GT/445 DWT, 1986
STEEL	bulk	Suomen Asiakasrahoitus Oy	1.562 GT/430 DWT, 1987
MEGA	bulk	Lumi Shipping Oy	768 GT/186 DWT, 1993

11 ships: 81.274 GT/118.864 DWT

Ships managed by FG-Shipping, totalling 28 ships

Ships plying in group services + ships in management, totalling	49
+ small tonnage, average	44
TOTAL	93

NEW BUILDINGS

FINNPARTNER	Finn carriers	100	Finnlines Ltd	11.600 DWT, v. 1995
COMBI RORO	Finn carriers		Poseidon Schiffahrt OHG	11.600 DWT, v. 1995
COMBI RORO	Finn carriers	100	Finnlines Ltd	11.600 DWT, v. 1995

FINNLINES

Finnlines Ltd

Lönnrotinkatu 21

P.O.Box 182

00121 HELSINKI

phone + 358 0 162 2400

telefax + 358 0 693 1696